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DEFENSE DEPARTMENT AUTHORIZATION AND OVERSIGHT

HEARINGS

ON

H.R. 4428

DEPARTMENT OF DEFENSE AUTHORIZATION OF APPROPRIATIONS FOR FISCAL YEAR 1987

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

MILITARY PERSONNEL

TITLE IV—ACTIVE FORCES, TITLE V—RESERVE FORCES, TITLE VI—CIVILIAN PERSONNEL, TITLE VII—MILITARY TRAINING STUDENT LOADS

FEBRUARY 27, AND MARCH 12, 1986

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99TH CONGRESS
2D SESSION

H. R. 4428

To authorize appropriations for fiscal year 1987 for the Armed Forces for procurement, for research, development, test, and evaluation, for operation and maintenance, and for working capital funds, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 18, 1986

Mr. ASPIN (for himself and Mr. DICKINSON) (by request) introduced the following bill; which was referred to the Committee on Armed Services

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A BILL

To authorize appropriations for fiscal year 1987 for the Armed Forces for procurement, for research, development, test, and evaluation, for operation and maintenance, and for working capital funds, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Department of Defense Authorization Act, 1987".

* * * * * * *

TITLE IV—ACTIVE FORCES

SEC. 401. The Armed Forces are authorized strengths for active duty personnel as of September 30, 1987, as follows:

(1) The Army, 780,900.

(2) The Navy, 592,700.

(3) The Marine Corps, 200,300.

(4) The Air Force, 607,200.

TITLE V—RESERVE FORCES

AUTHORIZATION OF END STRENGTHS FOR SELECTED RESERVE

SEC. 501. (a) For fiscal year 1987 the Selected Reserve of the reserve components of the Armed Forces shall be pro-

grammed to attain end strengths of not less than the following:

(1) The Army National Guard of the United States, 462,800.

(2) The Army Reserve, 327,600.

(3) The Naval Reserve, 155,700.

(4) The Marine Corps Reserve, 44,400.

(5) The Air National Guard of the United States, 115,200.

(6) The Air Force Reserve, 80,500.

(7) The Coast Guard Reserve, 13,000.

(b) The end strengths prescribed by subsection (a) for the Selected Reserve of any reserve component shall be proportionately reduced by (1) the total authorized strength of units organized to serve as units of the Selected Reserve of such component which are on active duty (other than for training) at the end of the fiscal year, and (2) the total number of individual members not in units organized to serve as units of the Selected Reserve of such component who are on active duty (other than for training or for unsatisfactory participation in training) without their consent at the end of the fiscal year.

AUTHORIZATION OF END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES

SEC. 502. (a) Within the end strengths prescribed in section 501, the reserve components of the Armed Forces are

authorized, as of September 30, 1987, the following number of Reserves to be serving on full-time active duty or full-time duty, in the case of members of the National Guard, for the purpose of organizing, administering recruiting, instructing, or training the reserve components:

(1) The Army National Guard of the United States, 28,721.

(2) The Army Reserve, 13,657.

(3) The Naval Reserve, 23,197.

(4) The Marine Corps Reserve, 1,782.

(5) The Air National Guard of the United States, 8,356.

(6) The Air Force Reserve, 676.

(b) Upon a determination by the Secretary of Defense that such action is in the national interest, the end strengths prescribed by subsection (a) may be increased by a total of not more than the number equal to 2 percent of the total end strengths prescribed.

(c) Upon the exercise of the authority provided by sections 673 or 673b of title 10, United States Code, Reserves covered by this section may perform duty in connection with sections 673 or 673b and shall not be counted against the number of Reserves ordered to active duty under those sections. Appropriations available for the pay of Reserves covered by this section prior to the exercise of the authority

provided by sections 673 or 673b shall continue to be available for the pay of Reserves covered by this section.

SEC. 503. The first sentence of section 138(b)(1) of title 10, United States Code, is amended by striking out "average".

INCREASE IN NUMBER OF CERTAIN PERSONNEL AUTHORIZED TO BE ON ACTIVE DUTY IN SUPPORT OF THE RESERVE COMPONENTS

SEC. 502. (a) The table in section 517(b) of title 10, United States Code, is amended to appear as follows:

"Grade	Army	Navy	Air Force	Marine Corps
E–9	554	165	140	13
E–8	2,199	381	438	74".

(b) The table in section 524(a) of such title is amended to appear as follows:

"Grade	Army	Navy	Air Force	Marine Corps
Major or Lieutenant Commander	3,340	900	584	115
Lieutenant Colonel or Commander	1,681	520	415	75
Colonel or Navy Captain	439	188	207	25".

(b) The amendments made by subsections (a) and (b) shall take effect on October 1, 1986.

TITLE VI—CIVILIAN PERSONNEL

AUTHORIZATION OF END STRENGTH

SEC. 601. The provisions of section 138(c)(2) of title 10, United States Code, shall not apply with respect to fiscal

year 1987 or with respect to the appropriation of funds for that year.

TITLE VII—MILITARY TRAINING STUDENT LOADS

AUTHORIZATION OF TRAINING STUDENT LOADS

SEC. 701. (a) For fiscal year 1987, the components of the Armed Forces are authorized average military training student loads as follows:

(1) The Army, 76,758.

(2) The Navy, 72,483.

(3) The Marine Corps, 19,433.

(4) The Air Force, 43,911.

(5) The Army National Guard of the United States, 18,262.

(6) The Army Reserve, 15,858.

(7) The Naval Reserve, 3,493.

(8) The Marine Corps Reserve, 3,944.

(9) The Air National Guard of the United States, 3,566.

(10) The Air Force Reserve, 2,127.

(b) The average military student loads for the Army, the Navy, the Marine Corps, and the Air Force and the Reserve components authorized in subsection (a) for fiscal year 1987 shall be adjusted consistent with the manpower strengths authorized in titles IV and V of this Act. Such adjustment shall

be apportioned among the Army, the Navy, the Marine Corps, and the Air Force and the Reserve components in such manner as the Secretary of Defense shall prescribe.

. . . . . .

ACTIVE AND RESERVE MANPOWER PORTIONS OF FISCAL YEAR 1987 DEFENSE AUTHORIZATION REQUEST

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE,
Washington, DC, Thursday, February 27, 1986.

The subcommittee met, pursuant to notice, at 10:23 a.m., in room 2118, Rayburn House Office Building, Hon. Les Aspin (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. LES ASPIN, A REPRESENTATIVE FROM WISCONSIN, CHAIRMAN, HOUSE COMMITTEE ON ARMED SERVICES AND CHAIRMAN, MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE

The CHAIRMAN. The meeting will come to order this morning, and I would like to welcome our witnesses. This is the first meeting of the Personnel Subcommittee this year. And very appropriately, we have for our witness the Assistant Secretary of Defense for Force Management and Personnel, a gentleman who is new to the job in the sense that he had not been before this committee before. He has taken the job since the last budget cycle.

And I welcome you, sir. We are very happy to have you here. And we would like you, if you would like, and General Sherman, if you want to join him at the table, however you want to do it. If you would like to go ahead with any kind of an opening statement that you would like, and the same goes for General Sherman, and then we can ask you some questions if we might.

STATEMENT OF HON. CHAPMAN B. COX, ASSISTANT SECRETARY OF DEFENSE FOR FORCE MANAGEMENT AND PERSONNEL, DEPARTMENT OF DEFENSE

Mr. COX. Thank you, sir. Good morning, Mr. Chairman and members of the committee. It is a pleasure to appear before you to testify concerning the condition of the total force, and to discuss our report on military retirement that we submitted in November. With your permission, sir, I would like to submit my prepared statement on these two topics for the record.

The CHAIRMAN. Without objection.

Mr. COX. And then focus my opening remarks on three general topics. First, I would like to address the apparent growth in the personnel account. Second, make some general remarks about our retirement report and retirement legislation. And finally, make some particular comments about some items of interest.

First, there may appear to be a disproportionate increase in the military personnel account between fiscal years 1986 and 1987 in the President's budget. But this is due to accounting factors not to program growth. Most of the increase comes from two factors.

The first factor is that in 1987 we fully-funded military retirement accounts instead of underfunding them by $2.9 billion, as the Congress directed us to do last year. That is a big factor in the difference.

And second in 1987, we fully funded last year's pay raise for military personnel. This raise was not funded in the 1986 budget, but was paid out of unobligated fiscal year 1985 balances. So this leads to the appearance of a larger growth in 1987 than is actually the case.

What looks to be a large increase of 9.3 percent is really only about 5 percent when you include the 4 percent pay raise.

Now I would like to move on to military retirement, which is a topic of great concern to us. Military retirement plays a vital role in our ability to retain experienced personnel. Pursuant to your direction, we submitted to you legislation for two alternative retirement changes designed to reduce the accrual for military retirement by $2.9 billion.

As we indicated to you in that report, we opposed both of these alternatives. We believe that the deep cut in retirement benefits associated with either alternative will severely hamper our ability to retain the high quality personnel we need, and would therefore pose an unacceptable risk to our future combat readiness.

Therefore, I urge you to keep intact the current system which has served us well, and restore quickly the $2.9 billion funds required to sustain it. We do need some kind of funding adjustment. Because if we do not have an adjustment by May 1, it would require a reduction of approximately 330,000 active force and about 176,000 reserve members in order to meet the budget decrement that presently exists under the Johnston amendment, and we urge you to make some adjustment soon.

Another of our chief concerns this year is Gramm-Rudman. The President's budget in the military personnel area supports one of the most successful turn-arounds in the country's recent past. With the help of members of this subcommittee, the hemorrhage of mid-level NCO's from the force has been stopped, and both the quality and the quantity of our enlisted and officer corps have significantly increased.

This success is most commendable. And with your support, I intend to make the continuousness of this trend the principal objective of my organization and of my personal endeavors.

In fiscal year 1987, we cannot exempt the military personnel accounts from Gramm-Rudman cuts. Fortunately, the President's budget comes in under the cutting threshold. We urge your help by supporting this budget in order to avoid MILPERS cuts which might be required if the Gramm-Rudman trigger is pulled.

My priorities for this year reflect the concerns that I have already mentioned and some other key issues. First, maintaining the quality and quantity of new accessions and of experienced military and civilian personnel to meet our variety of missions.

We feel that we can cope with the economic competition in the private sector and demographic changes, but it will take constant diligence and dedication. Our pay raises, improvements in benefits, and people programs have been pivotal in our success and must be continued.

We are entering a period of increasing uncertainty. The realities of military life, perceptions of pay caps, and mandated retirement cuts create concern for the future. We have to be especially careful in our critical skills areas such as pilots and nuclear duty personnel.

In view of the slight downward changes in reenlistment rates, we must work hard against further erosion of our most valuable resource, our people.

Protecting the total force against reductions in end strength is also part of this effort. Undermanning of the force degrades our ability to support current force structure and new weapons systems already in the pipeline, and dramatically affects our readiness and sustainability capabilities.

Please authorize the requested military end strengths, recruiting resources, adequate levels of compensation, and adequate training programs to keep our force ready.

Critical to the maintenance of our force also is our need to compensate our people adequately. We are asking for your support of a 4 percent pay raise in fiscal year 1987. This allows us to match our best estimate of private sector pay growth and keep us from falling even further behind in the competitive market.

Finally, we must preserve the flexibility that we now have to ensure that our civilian work force matches our work loads; that the work loads are funded; and that our productivity initiatives are also funded.

The issues that I have mentioned here in summary establish the base for preserving the progress in the manpower area that you deserve credit for making during the last few years. With your continued support, we will be able to maintain the high degree of readiness that we now enjoy today in the total force.

Mr. Chairman, this completes my opening remarks, and I would be happy to answer your questions.

[Statement of Mr. Cox follows:]

PREPARED STATEMENT OF HON. CHAPMAN B. COX

Good morning, Mr. Chairman.

It is a pleasure to testify concerning the condition of our Total Force. Our principal goal is to deploy the highest quality and most effective soldiers, sailors, marines and airmen in the world to preserve peace, deter aggression and respond to contingencies. I will review our objectives, initiatives, programs, successes, and problems in this Total Force effort.

The Total Force encompasses not only the active and reserve military components, but also our civilian employees, the contractors who work for the department, and retired military personnel. We strive to obtain the best possible mix of all these valuable resources and to maximize their productivity in order to achieve:

1. A high state of readiness to mobilize, employ, and sustain our force;

2. With a most effective and efficient expenditure of the funds entrusted to us by the American taxpayer.

ACTIVE COMPONENT MILITARY MANPOWER

The active component of the Total Force provides a military presence overseas, engages in low intensity conflicts, and serves as the vanguard of our response to large-scale aggression.

Major deficiencies in the quality and quantity of the active component which prevailed in the late 1970s have been corrected in the last five years. We now have a well trained, well balanced, well motivated, well disciplined force that provides for our current defense commitments and serves as a solid foundation for the future. The President has shown his continued commitment to this strong manpower posture by exempting essentially all of the military personnel accounts from Gramm-Rudman cuts in FY 86. Without qualified, dedicated people to operate and maintain military equipment and fill our combat and support units, our improvements in force structure and modernization would have been hollow at best.

Growth in active strength, improvement in the quality of

recruits, improvement in the experience level of the force, and reduction of critical skill shortages, all demonstrate this success.

Active Strength

Adequate strength is fundamental to unit personnel readiness. There are over 100,000 more active component service members today than there were in 1980. For FY 87, we are requesting an increase of 13,730 (or 0.6 percent) over the FY 86 level of 2,167,370. This modest growth is required to support the force modernization programs already approved by Congress. End strength levels should not be constrained below the level sufficient to man the force, as they have been the last three years. Undermanning of new weapons systems and of the force as a whole ultimately degrades readiness. We urge your approval of our requested growth to support our current force structure and new weapons systems.

Recruiting

Despite substantial improvement in the economy, reduced unemployment, and the continuing decline in the size of the eligible youth population, each Service met its recruiting goals for FY 85. That meant about 301,400 non-prior service accessions. This recruiting success was attributable, in large measure, to Congressional support of our efforts to restore and maintain competitive pay levels, to improve the quality of life for military members, and to provide the Services with necessary recruiting resources and enlistment incentives.

Education levels and enlistment test scores of our recruits are considerably higher than those of the general youth population. Ninety-three percent of last year's recruits have earned a high school diploma. This compares to about 75 percent of today's general youth population and 68 percent of recruits in FY 80. Ninety-three percent of new recruits in FY 85 likewise scored average or above on our enlistment test, compared to 69 percent of today's general youth population and 65 percent of recruits in FY 80.

Recruiting in FY 86 and beyond may become more difficult. Congressional action that reduced our active component recruiting and advertising request for FY 86 by $30 million dollars and eliminated our authority to pay an enlistment bonus to service members who also receive an educational "kicker" may substantially affect our ability to attract recruits of high quality.

Since July 1, 1985, the Department of Defense and the Veterans Administration have been jointly funding and administering a three-year test program of the New GI Bill. In the President's Budget, we propose that this test program be ended on October 1, 1986 rather than July 1, 1988, as is called for in the current law. At that time, we propose to resume the Veterans Educational Assistance Program (VEAP), which was suspended during the New GI Bill test period. The resumption of VEAP, in place of the New GI Bill, will provide cost savings and an educational recruiting incentive sufficient to meet our manning requirements.

Enlisted Retention

We have halted the loss of experienced people that plagued the Armed Forces in the late 1970s. The current reenlistment rate for career enlisted personnel is about 84 percent, compared to about 69 percent in 1979. The total enlisted force has grown about 4 percent since 1980, while the noncommissioned and petty officer corps has grown by about 13 percent. Average years of service in the enlisted force have increased from 5.55 to 6.04 years.

While enlisted retention is now at high levels, some shortages still exist in skills that are highly marketable in the private sector or that involve particularly arduous duty. These shortages are primarily in the middle grades and are being alleviated by improved bonus programs, better promotion opportunities in shortage skills, and retraining/reclassification programs.

The Enlistment and Selective Reenlistment Bonus programs are two of the primary incentives we use to attract and retain high

quality personnel. The authorities for these bonuses (Sections 308 and 308a of Title 37, United States Code) expire on September 30, 1987. During the effectiveness of these laws, there has been ample evidence that such bonuses are needed and are being used in a cost-effective way. Before the authorities expire, the Department plans to submit legislation to make them permanent.

Officer Shortages

Our most serious officer shortage problem continues to be in the grades O-4 through O-6 in the nuclear trained submarine and surface officer communities. We believe that continuing the various enhanced incentive programs previously established by the Congress will help reduce these critical shortages from about 20 percent now to about 10 percent by the end of the decade.

Another continuing officer retention problem is in the pilot communities of the Services. Currently, only the Navy has an aggregate shortfall (approximately 1,100), but all Services have been adversely affected by the continuing high rate of hiring by the airline industry. We are monitoring this situation closely to ensure that we remain competitive and that we maintain a level of experience that does not jeopardize aviation readiness and safety.

The management of flag and general officers is another area in which we continue to experience some problems. We urge your support of legislation we have resubmitted to establish a comprehensive framework for managing flag and general officer requirements. We need to get away from temporary solutions and establish a reasonable and consistent methodology for determining flag and general officer ceilings.

Wartime Shortages

Our current data project both officer and enlisted shortfalls in the event of war. Most of these shortfalls arise from casualties and the training time required for replacements. We are beginning to address these shortfalls by planning for (1) wartime assignments of personnel in their secondary skill

areas; (ii) preassignment of pretrained reserve and retired personnel to wartime requirements; and (iii) peacetime refresher training for reserve and retired personnel oriented to their wartime assignments.

Military Women

We continue to make excellent progress in increasing the role of women in the armed forces. Today almost 10 percent of the active force is made up of women. This is a 22 percent increase in the number of military women since FY 80. Military women can and should be used in all roles except those explicitly prohibited by combat exclusion statutes and related policy. We expect the number of military women to continue to grow over the next few years.

Equal Opportunity

Equal opportunity programs support the best use of all our human resources, enhance unit cohesiveness and morale, and are a vital element of Total Force readiness. While we have made significant progress in these programs, we need continued innovation and initiative in order to insure fairness and actual equality of opportunity. I have recently requested the Secretary to establish a Department of Defense Equal Opportunity Council which I will chair and which will include the three Service Assistant Secretaries for manpower and personnel as members. The purpose of the council is to address equal opportunity issues and concerns at the highest executive management level of the Department, to monitor the progress of EO programs in the military components, and to advise the Secretary on equal opportunity policies. The council will review the status of women and minorities in conjunction with a review of our Total Force requirements.

Compensation Issues

Meeting our recruiting and retention goals is dependent upon maintaining a fair and competitive military compensation package. With the support of the Congress, we have been successful. The FY 86 Defense Authorization Act contained numerous and

substantial improvements in compensation and reimbursements, including increases in selected special and incentive pays, increases in reimbursement for travel expenses, and authorization for a dependent dental care program.

In view of the compensation improvements provided in FY 86 and the constrained budget environment in which we are operating, we are proposing only modest improvements in compensation for FY 87.

The 4 percent military pay raise we are requesting closely parallels our best projection of what private sector wage growth will be in FY 87. Military pay raises now lag 8.3 percent behind private sector pay raises as measured by the Employment Cost Index. It is imperative that we not allow this gap to widen if we are to continue to attract and retain the high-quality personnel we require to maintain force readiness.

Before leaving the discussion of military compensation, I would like to touch briefly on two other topics that I believe play a vital role in our ability to recruit and retain personnel. The first is military retirement. As you know, we submitted legislation, as required by Congress, for two alternative retirement systems designed to reduce the accrual for the military retirement fund by $2.9 billion in FY 86. As we indicated in our report to Congress, the Department is strongly opposed to both alternatives. We believe that the deep cut in retirement benefits associated with either alternative would severely hamper our ability to attract and retain the high-quality personnel we need and would therefore pose an unacceptable risk to our future combat readiness posture. Therefore, I urge the Congress to keep intact the current system, which has served us well, and to restore the funding required to sustain it.

The other area I would like to discuss briefly is federal tax policy regarding military pay and benefits. The present tax treatment of military compensation is a long-standing tradition originally adopted for reasons relating to the unique conditions

of military service. We believe those reasons are as valid now as they were when the present policy was adopted. The tax benefits received by military personnel are an integral part of total military compensation, and any reduction in those benefits would be a cut in overall compensation. Proposals in both Houses, including the Tax Reform Act of 1985 that recently passed the House, recognize it as essential that our members be protected from reductions in compensation through changes in federal tax policy. We strongly support the legislative proposals that preserve military compensation from erosion by taxation.

Quality of Life

We have found that attention to quality of life concerns pays off in increased retention and improved morale and productivity. Our programs in this area contribute to sustaining personnel readiness by recognizing the importance of healthy military families. Some highlights in this area are:

--the 550 child care facilities operating on 400 installations worldwide,

--the expansion of day care programs,

--the Family Policy Office established last year,

--the addition of 26 family service centers, bringing the total to 298 on DoD installations worldwide,

--efforts to improve the situation of military spouses seeking employment,

--the authorization of the use of commercial credit cards in the exchange system,

--our safety and occupational health program, which reduces personal hardship and suffering through prevention of accidents, injury, and illness, and

--our economic adjustment program, which operates in close cooperation with local government efforts to ensure that necessary public services are available to service members and their families where military bases are being expanded or created.

Your support for our quality of life programs is vital to their success.

Training and Education

To receive the full benefit from our valuable human resources, we must teach individual service members to perform capably in over 600 military skills, and we must train groups of skilled individuals to perform as military units.

The quality of individual instruction has steadily improved over the past several years. Congress has supported adequate numbers of instructors and supporting personnel, improved training facilities, and modern training technology, such as simulation for maintenance training and computer-based instruction.

Rigorous and realistic unit training is indispensable to developing the smooth teamwork required for ready forces. During the past five years, improved technology has made training more realistic and effective. The development and use of instrumented ranges for air-to-air and ground-force tactical training is an example. Innovations of this type are particularly important to stretch the value and effectiveness of the unit training dollar. Operating tempos--ship steaming days, flying hours, combat vehicle mileage--that support collective unit training have not increased materially over the past several years, and in most cases they still fall below the desired goals of the Services. Any reduction in funding for collective unit training would result in reduced readiness, in spite of the quality of our personnel and the introduction of new weapons. I urge the Congress to provide the resources required for effective collective unit training.

Education is the knowledge base for training. Education programs and options have evolved to support training, recruiting and retention. Our tuition assistance program, as an example, supports 700,000 off-duty college course enrollments, making it the largest continuing education program in the world.

European Troop Strength

I urge you to repeal the ceiling on European troop strengths, which is currently set at 326,414. Although the ceiling has helped to focus attention on European strengths and has sensitized our NATO allies to the burdensharing concerns of the Congress, it has become counterproductive. For example, as we deploy the Ground Launched Cruise Missile we must reduce our conventional force contribution to NATO to remain within the ceiling. This significantly undercuts the emphasis on conventional defense improvement mandated by the Alliance Defense Ministers and stressed by the Congress. In addition, the ceiling tells our friends and enemies alike that we have a political cap on our commitment to NATO that is not responsive to any increase in the threat. The ceiling is also not the best way to encourage increased allied contributions. Rather, we should lead by example and by positive incentives, such as the Nunn amendment on NATO cooperative research and development.

Overall ceilings on Service end strengths, budget realities, and other global requirements for US forces all work to constrain European strength. Futhermore, we now have a much improved system for managing European troop strengths to ensure that they are held to the minimal essential level. From a management viewpoint, the ceiling interferes with DoD's operational flexibility and is precisely the kind of micromanagement that members of the Congress have opposed. I believe the security interests of the United States would be best served by the elimination of the ceiling.

RESERVE COMPONENT MANPOWER

The reserve components are key elements of our Total Force. We include each category of reserve manpower in our planning for mobilization in time of war or national emergency.

Categories of Reserve Manpower

Total reserve manpower consists of the Ready Reserve, the Standby Reserve, and the Retired Reserve. The Ready Reserve consists of the Selected Reserve, the Individual Ready Reserve

(IRR), and the Inactive National Guard (ING). The Selected Reserve is composed of the organized, equipped, and trained units and individuals required to maintain the highest level of readiness in the Reserve Components. The IRR/ING is made up of individual reservists who are not in the Selected Reserve but who can be recalled on an individual basis to provide initial augmentation of active or reserve units. The Standby Reserve contains those individual reservists who wish to remain affiliated with the reserve but are unable to participate in the Ready Reserve. Finally, the Retired Reserve comprises reservists who have been transferred to a retired status.

Improvements in Reserve Manpower

This Administration has placed great emphasis on improving Reserve Component military manpower, and the results of this emphasis are evident. In FY 85, Selected Reserve strength reached an all-time record level of 1,088,062. We have requested an increase to 1,186,200 for FY 87. The quality of Selected Reserve enlistees has increased significantly, in spite of sustained economic growth, a smaller pool of military-age youth, and higher retention in the active military components. Increased recruiting resources and targeted incentives have contributed significantly to this increase.

The IRR/ING has grown about 18 percent since FY 80. Management initiatives and the IRR Reenlistment Bonus Program are helping to retain people with key skills and to reduce shortages in combat and other critical wartime skills. We also expect the new eight-year military service obligation to contribute further increases in IRR strength. To ensure that the IRR will be a viable wartime asset, the Department will conduct annual screening to determine the skill proficiency, refresher training needs, and mobilization readiness of IRR members.

Force Mix Considerations

We consider many factors in deciding on the proper mix of active and reserve forces. Cost, of course, is a primary consideration; total defense costs are reduced by maintaining

significant military capabilities in a reserve status rather than maintaining all military forces on active duty. However, overseas deployments and some peace-time missions are not appropriate for part-time reserve forces. We must also ensure that there are sufficient active forces to provide for needed reinforcement until reserve forces can be mobilized.

Although the considerations noted above mean that each decision on active-reserve force mix must be addressed on its own merits, our general policy is to use reserves whenever possible. Our reserve personnel are highly trained, highly skilled professionals whose sense of duty and demonstrated ability are cornerstones of our national defense.

RETIRED MILITARY PERSONNEL

Our retired military personnel constitute a pool of highly trained individuals with prior military experience (regular or reserve) who can be recalled to active duty during a major conflict. These personnel could be used as fillers to bring units to wartime strength, to expand the continental United States support base, or to perform other functions related to national defense.

We estimate that there are about 820,000 non-disability military retirees under age 60. In order to maximize the potential of this valuable manpower pool, we are trying to ensure that all of these retirees whose skills match a mobilization requirement are preassigned in peacetime to mobilization billets or stations. The Army has issued preassignment orders to over half of its eligible retirees. The Marine Corps has preassigned only a small percentage of its retirees but can link the remainder of its retiree force to vacant wartime positions through automated data systems. The Navy is beginning to match retirees with mobilization billets, and the Air Force has developed plans for selectively using retirees after the announcement of a mobilization.

Our efforts to improve the management of this potential

manpower resource show our commitment to obtaining the best possible mix of all the personnel assets available to us.

CIVILIAN MANPOWER

Our policy is to use civilian employees and contractors wherever possible, in order to free our military forces to perform military functions. Our civilians are heavily invested in support and auxiliary areas, where they perform functions essential to near- and long-term military readiness:

--Seven percent of the Department's FY 85 civilians were employed in direct support of DoD strategic and tactical/mobility activities.

--Nine percent were employed in auxiliary activities such as intelligence, communications, and research and development.

--Thirty-three percent were employed in base operating support functions.

--Thirty-five percent were employed in central logistics functions.

--The remaining sixteen percent were employed in medical and personnel support, individual and force support training, and other support functions.

Manpower Levels

During 1985, the Department managed civilian manpower levels based on funded workload as opposed to end strength ceilings. At the end of FY 85, the Department employed 1,129,148 civilians, 41,372 over the FY 85 President's Budget estimate of 1,087,776. For FY 86, we project funding a civilian work force of 1,110,204, and we are requesting funding for a FY 87 civilian work force of 1,114,616.

For FY 86 and FY 87, the civilian staffing level of the Military Departments as a whole remains basically level. The Army numbers reflect a 2,000 space reduction due to restructuring and increased efficiency activities. A 1,500 space increase is forecast in the Air Force for increased support of B-1, C-17, and F-16 aircraft and an increase in the number of civilian technicians to support Guard and Reserve activities.

There is an increase of 5,000 civilians in the Defense Agencies. These increases are spread throughout the agencies, with the largest share going to the Defense Logistics Agency for contract administration and quality assurance efforts. There are also significant increases in the Defense Contract Audit Agency, the DoD Dependents Schools, and the DoD Inspector General's Office.

Defense Agencies

I would like to focus for a moment on the Defense Agencies, a group of Defense Department organizations that receive very little recognition but are essential to the successful accomplishment of our missions. The Defense Agencies exemplify our long-standing emphasis on improving the way we do business. They have been organized under authority granted to the Secretary of Defense to integrate under a single agency any supply or service activity common to more than one Military Department, whenever the Secretary determines that this arrangement will be more efficient, economical, or effective. Whenever a Defense Agency outlives its usefulness, or the Secretary determines that the individual Military Departments can perform the activities more efficiently and economically, the Secretary may disestablish the Defense Agency and return its functions to the Military Departments.

Although the Defense Agencies are essentially civilian organizations, they all have some military personnel to ensure an adequate understanding of the requirements of the Military Departments. The primarily civilian makeup of the Defense Agencies ensures economies of pay, longer corporate memories, and higher technical skills than are readily obtained from a military manpower pool with its frequent personnel rotations.

The distribution of civilians among the Services and Defense Agencies is based on the changing missions of these components, the differing workloads associated with those missions, and various Department initiatives to reduce demands for manpower.

Operations Without Ceilings

The Fiscal Year 1986 DoD Authorization Act excluded all Department operations and activities from civilian end strength controls for a second year. During FY 83 and FY 84, DoD industrially funded activities operated without civilian end strength ceilings. I have issued guidance to the Services and Defense Agencies on operations without civilian ceilings that stresses prudent and efficient management, including an emphasis on labor saving initiatives. On February 1, 1986, I provided a report to the Congress on our FY 85 experiences. Per Congressional direction, we will submit quarterly reports on our FY 86 operations. We appreciate the opportunity the Congress has given us to show that the Department can manage its civilian work force efficiently and effectively without statutory end strength controls. As directed by Congress, our FY 87 civilian manpower request anticipates continuing operations without ceilings.

Management Headquarters

Over the past several years, the Department has tried to strengthen program and policy oversight at the highest level within the Department in order to reduce waste and improve management of Department resources. Increasing pressure from Congress to reduce management headquarters activities and the Office of the Secretary of Defense (OSD) in particular has hindered us in this effort. The continuation of the freeze on OSD manning levels through FY 86 has increased the potential for waste and mismanagement.

During the last authorization and appropriation cycle alone, Congress levied requirements for 676 different reports from the Department. The Secretary of Defense must have the sufficient manpower resources to manage the Department effectively and satisfy ever-increasing congressional requirements.

INITIATIVES TO REDUCE DEMANDS FOR MANPOWER

Because we are extremely conscious of budget realities, the Department makes every possible effort to reduce our demand for manpower in accomplishing our mission. We have directed the

components to use temporary employees and overtime to help accommodate workload surges and unplanned and one-of-a-kind requirements. Use of these alternative staffing methods will assist in minimizing the size of our permanent civilian work force.

Under the A-76 program, any operation or activity that is not necessarily governmental or military in nature should be competed with the private sector. The Department has competed approximately 49,600 military and civilian positions with private sector since 1979. In-house work forces have won about 50 percent of the competitions, and private industry has won the other half. The A-76 competitive process is now saving the Department about $501 million annually.

The Efficiency Review program takes a hard look at Department missions, functions, and activities that cannot be subjected to an A-76 commercial activities review. A trained Efficiency Review team analyzes mission statements, establishes performance work statements for these approved statements, and then seeks out and employs the most efficient methods for performing these missions.

We involve our work force in productivity improvement efforts by using behavioral techniques such as Quality Circles, performance-based incentive systems, job enrichment efforts, and organizational development efforts.

We also use a broad range of Productivity Enhancing Capital Investment programs to encourage and finance cost-effective investment in equipment and technologies. The FY 87 Department of Defense Budget request includes $283.2 million in Productivity Enhancing Capital Investments. Of this amount, $176.2 million is earmarked for Productivity Investment Fund projects costing $100,000 or more. These projects, once implemented, will pay for themselves within 1.8 years. We project a current overall return of $16 for every $1 invested.

CONCLUSION

Our emphasis on qualifying our people for their jobs and

maximizing their productivity has taken on added importance as we face the uncertainties of the Gramm-Rudman-Hollings Act. We are doing our best to ensure that we meet our national security objectives while promoting economy and efficiency. We need your help in ensuring that we have the incentives we need to recruit and retain each component of the Total Force and the tools we need to manage these components. It is imperative that we preserve the current robust strength of our force, which your support has helped produce. We reaffirm to you our unswerving commitment to peace through strength.

DISCUSSION OF MILITARY RETIREMENT REPORT

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before you to discuss the report on military retirement we recently submitted to the Congress in response to the requirement in the fiscal year 1986 Defense Authorization Act.

The Act limited the authorized obligations for the funding of military basic pay and retirement accrual. For fiscal year 1986, funding authorization was cut by $2.9 billion. The Secretary of Defense was instructed to submit a report to include legislative drafts of two alternative options for changing the nondisability retirement system for future entrants that would each independently achieve the required reduction. One of the options was to effect changes to the system other than through alteration of the procedure for periodic cost-of-living adjustments; the second was not similarly constrained. Other requirements included an assessment of the effect on force manning of each option, the advisability of a transiti[illegible], comments on adjustments to other personnel or compensation policies that would be required should retirement benefits be reduced, and analyses of other specified retirement system modifications that would yield from $1.8B to $5.4B in accrual reductions

Before summarizing the contents of the report, I want to emphasize, as Secretary Weinberger did in transmitting the report to the Congress, that the Department of Defense does not support either option for change. The options were submitted only to comply with statute. We remain vitally concerned about the negative effect a 16 percent reduction in military retirement would have on the long-term viability of our career forces. Even though the changes are prospective only and current personnel are grandfathered, there is evidence of concern among the current force that current benefits are not guaranteed from erosion. This perception could result in near-term downturns in retention.

With these qualifications, let me briefly summarize the report we sent to you. The report is organized into six sections as follows:

- The first section provides background information on the military retirement system and summarizes events leading to the submission of the report. This section discusses the unique nature of military service and the institutional nature of military retirement; the reduction in retired pay for members entering the military after September 8, 1980, because of the high-three-year average calculation of retired pay - a 13 percent cut; the change to accrual accounting for military retirement beginning with fiscal year 1985; and the recent events resulting in this hearing today.

- The second section describes the two options we are providing in the form of draft legislation. One is a structure-only change that reduces the current 2.5 percent per year multiplier (to 2.15% for each year up to 20 years; 3.20% for each year between 20 and 30 years) and changes the retired pay calculation from the high-three-year average to a high-five-year average. This option preserves the COLA adjustment at the full CPI increase. The second is a combination option (multiplier

plus COLA change) that adjusts the multipliers (2.20% for each year up to 20 years; 3.10% for each year between 20 and 30 years) and limits COLA to the CPI change minus one percentage point for life with a one-time restoral at the 40th anniversary of initial entry into service (retired pay is recalculated at the point of restoral to the amount to which the individual would have been entitled at that point had his original retired pay been fully indexed). Both options are fully grandfathered.

- The third section discusses the anticipated effects of the two options on force readiness. Included are discussions on retention and recruiting and analyses depicting the degradation in experience levels based on 5th QRMC models, as requested by the Congress. The models show an 8 to 12 percent reduction in the 10 to 20 year portion of the force and a 16 to 37 percent reduction in the 21 to 30 year portion of the force.

As we have noted in our report, the retention assumptions used in the model are identical to those used in the 5tn QRMC analyses. The retention rates used in the model are based on average retention over the seven-year period 1976 to 1982. Current retention behavior has improved since then. If one were to assume that current retention rates are the best estimates of retention in the long run, then one could submit that the effect on the career force of the retirement changes in absolute terms would be less than projected. Alternatively, if one were to use worst case retention rates, the effect on the career force would be worse than projected. The material presented in this section is the basis for discussion in section 6 of the four other levels of reduction we were required to address.

- Tne fourth section addresses the requirement for a transition plan that could be used to phase in either of the two options over a period of four years or more. We have taken the position in this section that a transition would be inappropriate

because it would create at least four other categories of people with different benefits (we already have two - those under final pay and those under high-three-year averaging). Further, it would take a substantially more drastic reduction in benefits to achieve the mandated $2.9B cut in FY 86 because a phase-in would only allow partial credit in the first year. An established cut-off point is preferred if any change is made.

- The fifth section discusses other compensation implications of a cut in retirement benefits. Specifically, it points out that substantial increases would be required in other elements of the military personnel budget, such as in retention and recruiting bonuses and other forms of up-front compensation, if the required force structure is to be sustained. In addition, we point out the necessity for keeping a fair and competitive pay level comparable to private sector pay upon which these added incentives would have to be based. The complexities of defining specific requirements given the real-life uncertainties are also recognized.

- The sixth section addresses the five specified levels of reduction ($1.8B, $2.9B, $3.6B, $4.0B, and $5.4B) in the same context as the discussion of the two options that result in the mandated $2.9B reduction. We use 5th QRMC models to describe the specific force changes and show how very slight changes in the economic assumptions could dramatically multiply the negative effect on the force or alternatively present a more positive picture. Our point is that we know and understand the effects of the current system and that we can only speculate in relatively uncertain terms on individual reaction to the very large reductions (30% in the $5.4B case) in retired pay that are proposed.

Mr. Chairman and members of the Committee, that summarizes the content of our report. I believe we have stated our views

objectively and in accordance with the directions of the Congress.

I would like to note here that you have previously received testimony from the Department of Defense on this very crucial issue to our national security. The gist of the testimony was that the current system, in concert with other elements of compensation and force management policies, has produced a combat-ready force. Any changes to the current system must be considered in this light. Also, I wish to remind the Committee that current military retirement is not overly generous or too costly - 64 percent of our enlisted retirees draw annuities below the poverty level for a family size of four, and funding for retirement accrual is less than 25 percent of the military personnel budget and about 6 percent of the Defense budget. It seems to me that the current price for ensuring our combat readiness is not inordinate when considered in these terms. I trust you will take these views into account in your deliberations.

Finally, I would like to call the attention of the Committee to the accrual funding aspects of a $2.9B reduction. Under existing law, the Department of Defense must contribute monthly increments to the retirement trust fund based on the actuarially determined future costs of the current system. The $2.9B reduction in funding and obligational authority for fiscal year 1986 was predicated on an October 1, 1985, effective date of change to one of the two options. In view of the timing of the enactment of the Defense Authorization Act and the current status of the action to change the military retirement system, the Department of Defense has proposed legislation to obtain relief from these obligation limits on a monthly pro rata basis pending final Congressional action on military retirement. Absent passage, the Department will be faced with the necessity of beginning a drawdown of the active force to meet the $2.9 billion

reduction in authorized obligations - a consequence that was not contemplated when the reduction was enacted.

Recognizing this awkward situation, Congress provided temporary relief in Public Law 99-195, making appropriations to the Department for fiscal year 1986. Under the Act, the Congress provided authority to the Department of Defense to: 1) temporarily exceed the reduced funding limit for military retirement; and 2) transfer funds from specified prior year unobligated balances into the military retirement trust fund to cover subsequent increases in the authorized funding limit that may be established by the Congress. These authorities, which expire May 1, 1986, allow the Department to avoid reducing the force before that date. They also implicitly set a milestone for the Congress to act on the issue of changes to the military retirement system. If the issue is not decided by May 1, 1986, the Department must be granted further legislative relief to avoid a reduction-in-force of approximately 330,000 active and 176,000 reserve personnel, a consequence that would have an immediate and devastating effect on readiness.

Mr. Chairman, this concludes my prepared statement. I am available to respond to any questions you may have.

The CHAIRMAN. Thank you very much. Bud Hillis.

Mr. HILLIS. Thank you, Mr. Chairman. I have just a few questions.

I want to welcome you here, Mr. Secretary, and it is nice to have you before us. This committee is very involved and very concerned about the quality of personnel in our armed services. I know that at every opportunity I have, I try to get out and visit various posts.

And I am told this and my own observations I think confirm it that the level of personnel, the quality of personnel has probably never been better than it is today, and we really truly have a professional force.

As the rationale for this military pay raise of 4 percent which you just talked about, I think that in your statement you cite an 8.3-percent gap between military and private sector raises. Yet over the past year, enlisted recruitment and retention has been maintained at a high level.

Does this mean that the so-called pay gap is not an especially good measure of the services' ability to recruit and retain needed

personnel; and if so, why is it imperative that the military pay raise be 4 percent?

Mr. Cox. As I mentioned in my statement, we have chosen 4 percent, because that is our best estimate of what the private sector increase will be. We feel that there is an 8-percent gap based upon the data that we have, and we do not feel that we can fall any further behind in that gap.

Now you asked the question that since we are having success, why can we not degrade the compensation a little bit. As you all know, this is not a single issue kind of thing. We do many things to keep our quality of accessions up, many things that are in the personnel account, bonuses, advertising, the compensation. Many of these things bear on retention, such as, we testified before, the retirement system does.

All of the things that deal with compensation, which is a very complex bag, affect our ability to be successful in recruiting. Compensation is one of them, and recruiting is very sensitive to compensation. The fact that there has been a gap in the past years, we have had to compensate for with other things like bonuses, and more advertising, and things like that.

So yes, I suppose that you could degrade the compensation a little and still be successful if you are willing to invest in some of these other recruiting mechanisms. But our feeling is that the more that you get behind in compensation, the harder and harder it is to catch up.

And what we propose this year and strongly urge is that we just keep abreast.

Mr. HILLIS. Have you quantified the effect of the so-called GI bill as to how it is helping you with accessions, as to its cost and this sort of thing, is it a high factor or a low factor?

Mr. Cox. Educational benefits do help. And even though the President's budget has declined to fund the basic benefit in the Veterans Administration budget, we intend to continue under the old system—VEAP—to pay for educational benefits, because we do know that they do have an impact.

Mr. HILLIS. Has anyone in your organization done a parallel study to look at what personnel costs might be if we did not have a total volunteer force, in other words, if we went back to a selective service system, how much are we paying between a base line of a selective service system, say that would furnish a great deal of our manpower in the enlisted ranks and these programs for a volunteer system?

Mr. Cox. I want to make sure that I understand the question. The way that I hear the question is that you are asking would it be cheaper to have a draft.

Mr. HILLIS. I want to know the difference, how much more are we paying for a volunteer force over the draft, over a selective service system?

Mr. Cox. It is our view that we are paying less, that the draft would cost us more.

Mr. HILLIS. Why is that?

Mr. Cox. That is because with the draft you have more turnover, and you have to train people more. It impacts upon the retention of the force. So you have a lot of other problems that perturbate

the force. We have some studies on that, and I would be happy to provide you with some material on it if you would like.

Mr. HILLIS. I think that it would be good to have that in our record.

[This information has been provided to the subcommittee staff; it is too voluminous to be included in the record.]

The CHAIRMAN. Pat Schroeder.

Mrs. SCHROEDER. Thank you, Mr. Chairman.

I want to ask a question about A-76, your testimony on that in there. Maybe I misread the President's budget. I thought that the President was changing the A-76 requirement for some items in the future if his budget goes through, saying that they would not be competitively bid.

Mr. COX. They would not be competitively bid?

Mrs. SCHROEDER. Yes. I thought that there were certain functions that they were doing away with competitive bidding on.

Mr. COX. I am not specifically aware of that, Mrs. Schroeder.

Mrs. SCHROEDER. OK. Would you have any objections to counting people as Federal employees that are totally paid by the Federal Government whether they are working in the private sector or not?

Mr. COX. What do you mean, counting them for what purpose?

Mrs. SCHROEDER. One of the problems that we always feel as the push to do the A-76 thing oftens comes from trying to get the numbers down.

Mr. COX. The ceiling requirement.

Mrs. SCHROEDER. The ceiling numbers.

Mr. COX. I think that our position on the ceilings is that we do not think that the ceilings make the best management tool. And this committee, I think, in the past has supported us in relieving the ceilings, and moving more toward management controls by budgeting.

And so if we do that, if our position on this is followed, then your question is moot. Because we are not counting heads, but we are managing by dollars.

Mrs. SCHROEDER. Even the prior administration was pulling that number of, trying to say that they had fewer Federal employees than, and the pressure would come to get rid of so many slots. But to the taxpayer, they were still totally paying for these people.

Mr. COX. I agree with you. It is a disingenuous position. What you really need to do is figure out how much you are paying. And if you are doing that, then you are also going to be saying let us do it the most efficient way. And if the Government employees can do it more cheaply, let us have them do it. If the contractors can do it more cheaply, let us have them do it. And if the military people can do it more cheaply, let us have them do it with the one qualification. And that is if it is a military function, it would be done by military people.

Mrs. SCHROEDER. But you would have no problem with continuing, that it should still be competitive, I mean the cheapness should be the driving goal and not something else?

Mr. COX. Exactly. Productivity is going to become more and more an important issue as we go through the constrained budget.

Mrs. SCHROEDER. The GI bill, I know that you answered a few questions about that.

Have you any data yet as to whether or not that helps with recruiting? I noticed that you said that the recruiting is starting to tail off a little bit.

Mr. COX. Well, there is no question but that it helps with recruiting. The question is what is most cost effective. For the Department's benefit from the GI bill, is the GI bill most cost effective for recruiting, or is some other educational benefit most cost effective. The GI bill does some other things, and gives society some other benefits, I grant you, that are important, and that the Congress needs to decide. But from a recruiting standpoint, we think that it is most cost effective to go with the VEAP program.

Mrs. SCHROEDER. I am going to yield to the gentleman from Virginia.

Mr. SISISKY. If you would yield for just a moment.

Mr. COX. Yes, sir.

Mr. SISISKY. You know, we heard testimony that the Army's recruiting had really showed a very definite jump. The Navy has not. And the Secretary of the Navy, I think, testified that they are coming out with a plan the first of the month. They are very excited about it. The National Guard, I heard from a general, it is the best thing that ever happened.

These things are happening. And if I remember a couple of years ago, the demographics of what is going to happen in the 1990's, it seems to me that this is the thing that may help to solve your problem and be cost effective.

Mr. COX. There is no question that it is a valuable benefit, Mr. Congressman. The question is, is it cost effective? The Navy in their Sea College Program, if the President's budget is adopted, is going to be able to run their Sea College Program with VEAP. They have never done that before. They never used the VEAP kickers before.

Mr. SISISKY. If the lady would just yield for one moment.

You said the Department, is that the Department of Defense, or is that the different services that believe that; you are speaking for the Department of Defense, is that correct?

Mr. COX. Yes, sir.

Mr. SISISKY. So it would be the different agencies of the Department of Defense that also believe in what you are saying?

Mr. COX. Yes, sir.

Mr. SISISKY. Thank you.

Mrs. SCHROEDER. Just one final question. You have seen the retirement proposals that the Department of Defense sent over as the two different options.

Mr. COX. Yes, ma'am.

Mrs. SCHROEDER. Which do you prefer of the two?

Mr. COX. I prefer neither.

Mrs. SCHROEDER. I knew that you were going to say that. But the problem is that if we have neither, what happens when the cuts come, would you just cut everybody?

Mr. COX. Well, if we have neither, then we will have to do something as I mentioned in my remarks to deal with the $2.9 billion problem from last year.

Mrs. SCHROEDER. So what will we do?

Mr. Cox. But with the 1987 budget, we have programmed to have the retirement benefits in there as they now exist under the law, and they are part of the President's budget.

Mrs. SCHROEDER. Then what would you propose that we would do when we get to the $2.7 billion?

Mr. Cox. The $2.9?

Mrs. SCHROEDER. The $2.9 billion.

Mr. Cox. We have submitted legislation to refund that $2.9 billion, and there have been funds made available out of unobligated balances.

Mrs. SCHROEDER. I see. You would say forget it, just keep funding it?

Mr. Cox. Well, I would not say forget it, ma'am. It is our position that it is too great of an impact, negative impact on the force, and we propose not to change.

Mrs. SCHROEDER. Where are you going to get the money? I mean I think that we have to deal with reality. As I read the paper this morning, everybody from Strom Thurmond on is saying that the President's speech was wonderful, but it is not real.

Would you take that away from weapons, where would you squeeze it out?

Mr. Cox. The $2.9 billion that is identified in the Fiscal Year 1985 unobligated balance, I think that it was the conference that allowed it to be applied up to this amount, that it can only be applied to that account.

Mrs. SCHROEDER. Have you got some other ideas as to where we could apply that? We could not figure out any other place to apply it.

Mr. Cox. The only other place that it could be applied, I suppose, is that it would go back to the Treasury—am I not right, Mr. Chairman—and then it would reduce the deficit.

Mrs. SCHROEDER. OK, thank you.

The CHAIRMAN. Ike, do you want to ask a question?

Mr. SKELTON. I have a couple of questions that I would like to ask, Mr. Cox.

Mr. Cox. Yes, sir.

Mr. SKELTON. The first deals with end strength. The Army asks on their full-time personnel, zero, and the Navy 11,400, the Marines 1,500, the Air Force 700. and I understand the Navy's problem. They are at war for all intents and purposes. They are out there, and the rotation leaves a terrible problem particularly in building the 600-ship Navy and the like. We are under tremendous budgetary constraints, and living in the world in which we live. Were we wanting to assist the Navy in this tremendous request compared to the others, where could we cut and save, would there be enough for instance, and this is only a for instance, in the PCS account to offset part or all of what the Navy wants. We need some help, and guidance, and a recommendation, because there is just not enough in the pie out there to cut out.

Mr. Cox. Well, we think that we have presented you a balanced budget. We have scrubbed those numbers very hard. The PCS account, for example, you have asked us for continuing pressure on that account.

Mr. SKELTON. Yes, I understand that there is a report due in March. And I would also say this in defense of the Navy, too. They have done from my informal conversations, they have done a better job in working that problem and lengthening tours when necessary.

Mr. Cox. We think so, sir.

Mr. SKELTON. But I am asking you for help. And I understand the party line, but we need more than the party line. We need some help where we can look for some savings to do the things that you and the Navy—this is a big Navy request compared to the others—of where we can be of some help to cut?

Mr. Cox. The problem is that I cannot answer a hypothetical question without knowing.

Mr. SKELTON. We have to answer it, we have to answer it. We are going to answer it. I promise you that we are going to do it. We may answer it by giving the Navy nothing. That is the simple way of doing it. That does not solve their problem. We need some guidance and suggestions or hints, call it what you want.

Mr. Cox. It depends upon how it happens with the rest of what we think is a balanced budget. If we get some cuts in some other areas.

Mr. SKELTON. I am talking about out of the personnel account, and limit it to that, the overall personnel account.

Where can we save some money to be of some assistance to the Air Force and Marines, but major assistance to the Navy, where can we do it?

Mr. Cox. Sir, my answer is that these people do not exist in isolation. They man weapons systems. So our best answer would have to come after we know what those other adjustments are going to be.

Mr. SKELTON. All right.

Mr. Cox. With the force that we now have, the force structure that we have, with the balanced force structure that we have proposed, we think that this is the way that it needs to be. If there are some other cuts in weapons systems and other things that we think we need, then maybe we can adjust the personnel accounts as well.

Mr. SKELTON. Along that same line, you have requested for the selected reserve strength an additional 29,000 in round figures for the Army which, of course, includes the National Guard; for the Navy, 13,000; for the Air Force, 7,000.

Would you be willing to sacrifice part of them for the active end strength?

Mr. Cox. Sir, my answer has to be the same. That we have presented this in a balanced structure. And if our missions change, if our weapons systems change, if our requirements for people change, then we will be able to effectively advise you on where those cuts can come.

Mr. SKELTON. That is not much help. Let me go on. There is considerable variation service by service concerning the available data to justify the funds that are requested for the PCS moves. In the case of household goods in particular, the committee in its report last year noted this lack of information to support the request for the weight allowances.

Not limited to the weight allowances, but is there some attempt to get us PCS move information that is parallel, so that we can

compare it one service to the other, so that we are not comparing apples and oranges. And the footnote to that, of course, is your weight allowance, household goods weight allowance which ties into the whole thing. We need some help, so would you do that for us.

Mr. Cox. Sir, we are working hard on that. I must in candor admit to you that the Secretary is frustrated as well, because we did not get this report done as soon as we thought we would, and we were not able to use its results in 1987.

Mr. SKELTON. I think that it is due the first of March is my understanding.

Mr. Cox. And it will be here soon. I just want to tell you that we are working hard on it.

Mr. SKELTON. Will it be parallel service by service, so that we can compare the services?

Mr. Cox. As best we can, but we will have it to you. Let me tell you what I expect it to do is to give us a substantial savings in the PCS for proposals for 1988. The Secretary, because we were unable to get it to him in time for the 1987 budget, just imposed a flat 5-percent reduction. And so I think that is my answer to indicate to you our genuine concern about this, and our effort to get after it. And we think that there is going to be even as much as a 10-percent reduction in 1988.

Mr. SKELTON. Thank you so much.

The CHAIRMAN. Herb Bateman.

Mr. BATEMAN. Thank you, Mr. Chairman.

Mr. Secretary, I would like to have you revisit this question of the options with regard to the retirement system. I am trying to recall what was done and making sure that my facts and recollection are adequate. This committee opted for a $4 billion reduction in the retirement accrual account which ultimately in the continuing resolution and conferee's report became a $2.9 billion.

Your recommendation to us lays out two options that affect the reduction as contemplated in the continuing resolution to the $2.9 billion, but your overriding recommendation is that neither option serves our national security interests. You indicate based upon your models a very substantial negative impact on retention.

The first question is, how confident are you in your projections with regard to the retention factor if we were to adopt either of the undesirable options; and if the committee agrees with that view, tell me more about what we are faced with in the magic of May 1 within which we must make our decisions, separate our options, and restore the $2.9 accrual account authority?

Mr. Cox. Your first question, sir, is how confident am I? I am as confident as I can be. I am not an economist. And so I have to rely on the advice of some of the best people that we can find. And we have worked very hard on this issue. There has been a great deal of debate in the Department. It has been a drill that we have been through for over 2 years, as I recall. And some of you who have been in this business a lot longer than I have, may recall as much as a decade.

We worked hard to challenge and criticize the analyses that were given to us. I was not involved in that process. I was earlier in the QRMC when I was Assistant Secretary of the Navy. But when

these results were concluded, I cannot say that I myself was personally involved in analyzing the recommendations, and the studies, and the data that the economists and the other analysts gave us.

But I have been through that with my people who were, and I am confident that they got the best information that they could. As you know, these kinds of projections are never things that you can say are hard and fast. There is a lot that goes into the whole process of motivating people to stay in their jobs that you cannot quantify. We have done our best to try to account for that. But I am confident, and that is the best answer that I can give you.

Your next question is, if you are as troubled by the negative impact as we are and want to adopt our recommendation, why is it such a problem? The problem is that we have to do something now by reason of the current status of the law, or we will be faced on May 1 with coming up with $2.9 billion out of our personnel accounts.

The law now requires us to fund our retirement. The law now requires us to do that. The law also says that we have got to come up with $2.9 billion. So if one of those laws is not changed, we have got to come up with money out of our personnel account.

Mr. BATEMAN. Mr. Chairman, if I might try to get this clarified in my mind. What you are speaking of now in terms of the law, is that the Johnston amendment or the Johnson Act, is that the law to which you are speaking?

Mr. COX. The Johnson amendment is part of the law. And it says that if by May 1 the retirement system has not been changed that we have to come up with that $2.9 billion out of hide so to speak. And that is where we get the estimate that we will have to cut loose 330,000 active component personnel.

Mr. BATEMAN. If the Congress before May 1 enacts either option one or two by virtue of changes in the structure or the retirement system, then that solves the problem, but it solves the problem in a way that impacts upon our retention. If Congress does nothing between now and May 1, then you still have a situation where you are stuck with the $2.9 that has to come out of something else, because there has been no change in the retirement.

Mr. COX. Yes, sir. And that is the reason, when we sent our report over, that we proposed legislation to ameliorate the impact of the Johnston amendment.

Mr. BATEMAN. So the committee's choice essentially becomes one of undoing what was done last year as your primary recommendation. And if not, then Congress certainly if it is going to act responsibly must select its option of retirement system change No. 1, or retirement system change No. 2.

Mr. COX. I agree with that. I think that those are the choices. I do not think that the third option of doing nothing is a responsible option. I agree with your characterization.

Mr. BATEMAN. Thank you, Mr. Chairman.

The CHAIRMAN. Norm Sisisky.

Mr. SISISKY. My colleague from Virginia really asked the question that I was going to ask.

But if we do nothing, are you serious that we would have to drop off 330,000 active duty personnel?

Mr. Cox. Yes, sir.

Mr. SISISKY. I mean you are really serious about that?

Mr. Cox. Yes, sir.

Mr. SISISKY. That is an absolute thing, and you are prepared to do that on May 1?

Mr. Cox. We are not prepared to do it.

Mr. SISISKY. On May 1, 1986, I mean that is it. If this Congress does not act, and there is a very good chance that this Congress will not act by May 1, 1986. Then you are prepared to reduce the active forces 330,000, is that correct?

Mr. Cox. I am not prepared to do it, but we will have to do it. We will have to get ready to do it.

Mr. SISISKY. You will have to do it, but are you going to do it?

Mr. BATEMAN. Would the gentleman yield?

Mr. SISISKY. Yes.

Mr. Cox. If the law requires us; yes, sir.

Mr. BATEMAN. I thank the gentleman for yielding. I guess the question that I need to follow up to clarify the issue in my mind is are you mandated by the existing state of the law to reduce expenditures by the $2.9 billion by personnel reductions?

Mr. Cox. Yes, personnel accounts.

Mr. SISISKY. You have no option to do it other than through personnel accounts under the existing law?

Mr. Cox. Yes, sir.

Mr. BATEMAN. Wow.

Mr. SISISKY. I am sure that they will find another way somewhere along the line.

The CHAIRMAN. I hope not. I want to point out to the gentleman here that this was done not without a certain amount of malice of forethought. And the reason that we are in this jam is because it is about time that we did something about military retirement.

We have had ever since I have been in Congress, and I have been in Congress 15 years, we have had nine proposals to change the military retirement. An awful lot has been done by people in uniform. The last one was done by General Sherman sitting right over there in the fifth quadrennial review. And all of them get stonewalled. We have in military retirement a military retirement system which is, we have had testimony here, the most expensive and the most lavish, that is a little harsh, but a very, very good military retirement system, the best in the world. It is internationally better than any other army, better than the Israelis, better than anybody else that we compared with.

It is a retirement system which is taking a big, big chunk of the defense budget. We are up $18 billion a year. There are an awful lot of forces that you can buy for that kind of money for people who are not around to fight. It is long, long past the time when this thing ought to be changed. And this, frankly, was the only way that I could think to force the issue.

And I hope that we will be able to force the issue with this thing, and I think that we ought to pick one of these two options. They are clearly, clearly within the range of other changes proposed in the past by people in uniform and out of uniform, Democratic administrations and Republican administrations. We have been fool-

ing around with this for 15 years, and it is about time that we made some changes. I am sorry to interrupt your questioning.

Mr. SISISKY. I agree with the chairman, and obviously this committee agreed with the chairman, and the House of Representatives agreed with the chairman. So something obviously is going to happen.

You know, Mr. Cox, this is my fourth year on this committee now. I also serve on two other subcommittees. One of them happens to be Military Construction. And I have watched the flow of things happening here. We vote for a weapons system, and I sit back and vote so many billions of dollars for a weapons system. And then all of a sudden the following year or the year after, I see this money floating through military construction that we have got to build facilities to take care of that weapons system or other things.

Does your Department make a careful analysis of when we vote for things, and I am going to give you an example in a minute, it pertains to the Navy as a matter of fact that Mr. Skelton brought up, do you make an analysis of what the end result will be in personnel.

For instance, strategic homeporting which is an issue that the Secretary of the Navy decided on that he was going to open up other ports for strategic reasons. We had an all-day hearing yesterday and a GAO report I might add that said that the Navy did not prove their case on strategic homeporting, and I agree with that from the strategic end of it.

But a funny thing came out of that thing. As the gentleman from the GAO was relating, and I asked the question how many people, Navy people, additional Navy people would be required to man these ports, extra people, because of the base commanders, supply centers, and everything else that goes with it, and the figure was 3,200.

It never dawned on me when the Secretary brought this up a year or two ago that we would need additional personnel.

But you analyze those things that happen, you know, the impact—you know, over $1 billion, and I estimate that it will be $2 billion before we get through just in military construction—do you analyze what the end result in personnel would be on all of these things or the ideas that we have floating around?

Mr. COX. I am not aware of a mechanism for us early on to analyze the manpower impact of basing decisions. I think that that is done by the services. And so I am not aware of the manpower impact of those basing decisions. I could be wrong. I only have been in the job for a couple of months.

With respect to weapons procurement, however, there are systems within the Department where our office is involved. It may not be as integrated as it should be, and that is something that I intend to focus on. Each of the services has its own program for trying early on in the design process to figure out the manpower impact of the procurement of the weapons system development. They work through their system, and then it comes into the acquisition process in the Department, and is finally determined in what we call a DSARC which is the Department's systems acquisition review process.

I am a member of that process, and I intend to play a very vigorous role in that process. And I will find out experientially real soon whether or not those mechanisms that are used early in the process give me the kind of information that I need to be a good manager.

Mr. SISISKY. I would appreciate that. And I think that it is important that this committee be aware of that when we do vote of what down the line is going to take place and costs that we never dreamed of, and I appreciate it.

Mr. Cox. My staff is here, and I hope that they are hearing me.

Mr. SISISKY. Thank you.

The CHAIRMAN. Thank you. Let me ask a couple of questions, Mr. Cox, for a second. Back to the retirement issue. Given these two wildly popular reform proposals, which one do you dislike the least?

Mr. Cox. Without undercutting the President's position, if I could rephrase the question, I think that I could give you the answer.

The CHAIRMAN. OK, rephrase the question.

Mr. Cox. I am sorry that Mrs. Schroeder left, because I think that she felt that I was stonewalling her. Of course, our position is that we do not like either option. But if you were to ask me which one does the least damage in terms of retention, we think that the combination option does.

The CHAIRMAN. The mixed option is the better one?

Mr. Cox. Pardon me.

The CHAIRMAN. The mixed option is the better one?

Mr. Cox. The mixed option. Not by much, but it does a little bit less damage.

The CHAIRMAN. Let me ask General Sherman. Could you come up a second, sir, because you know a lot about retirement having been through the retirement reform on the Fifth Quadrennial. The proposal here that we have before us is quite different than the reform proposal that you had that we never had a chance to see, because it got stonewalled over there and it never got sent over.

Very good reforms, a lot of good reforms have gotten bottled up in that place over there, and I thought that yours was a very good reform. This is a little different from what you were proposing.

Were you consulted about this when you put together these options, did you play any role in this?

General SHERMAN. I did not play a direct role in the proposal that came over, Mr. Chairman. However, I am not ignorant of what it is. I have tried to stay up on that as it pertains to the reserves as well as to the actives. It is not that much different.

In the fifth quadrennial, there were four different types of retirement reforms that were given as illustrations. One was a cost-of-living adjustment which is by far the most damaging to the individual in the long term, although they do not realize it, because of the discounting.

The second was a cut in the multiplier, the 2.5 percent per year of service. The third was a reduced early benefit with tapered multiplier that would provide 35 percent after 20 years and 75 percent at 30 years. The fourth was a combination of one and three. All included an early withdrawal and were analyzed as to impact with

and without early withdrawal. What it boils down to is that people like a dollar now as opposed to a dollar later.

And if you provide a percentage of the total retirement benefit up front, at time of retirement it costs less to the Government than it does in providing it over a long term. That feature was dropped in the two proposals that came over.

I agree with Secretary Cox that of the two that have been submitted, the least damaging is clearly the combination.

The CHAIRMAN. I guess that fact that you had that early withdrawal provision makes the kind of comparisons between the multiplier and other things not relevant, I guess, is that right?

General SHERMAN. What we tried to do was to maintain our ability to sustain force structure, manpower force structure. The only way that you can do that—if you take something away, you have an adverse reaction—is to find a way to put it back in a cheaper fashion. Giving a dollar up front in retirement is cheaper than spreading a dollar over the term of the retirement period. That is simply stated.

The CHAIRMAN. Can you fill me in again on what were the numbers, what did you have as a multiplier in your proposal?

General SHERMAN. It came down to between 35 and 40 percent starting at 20 years, and moving to the 75 percentile at the 30-year point.

The CHAIRMAN. So what you have got here in this proposal is a 44 percent in the mixed option, and a 43 percent in the structural change only option, but you had it lower than that at 20 years.

General SHERMAN. Yes.

The CHAIRMAN. But then you had a withdrawal. Oh, that was for early withdrawal.

General SHERMAN. It was tapered a little differently, and it was tempered with an early withdrawal to mitigate that effect.

The CHAIRMAN. And what were the years that you put that proposal together, when did you have that?

General SHERMAN. 1982.

The CHAIRMAN. 1982. And I think that that was the last attempt to reform from within.

What was the total dollar savings, Bob, do you remember that; or do you remember, General, what were the dollar savings on your reform?

General SHERMAN. There are initial savings in terms of obligation authority. And those increased for a period of time, and then are overcome and exceeded by the requirement for a cash outlay 20 years hence. And then they taper off again, so the savings become very large in the out years. They are comparable essentially without the early withdrawal.

The CHAIRMAN. If we were doing it under an accrual accounting system, it would be kind of comparable to what we are talking about here?

General SHERMAN. Yes, sir, it would.

The CHAIRMAN. OK.

General SHERMAN. The concern was obviously the political survival of that early withdrawal.

The CHAIRMAN. Yes, I have got you. Thank you very much.

Does anyone else have any other questions?

Mr. BATEMAN. Mr. Chairman, if I could ask one question. The question that I have, Mr. Chairman, and I think that all of us need as much as we can get on this, is that we have the Department's projections as to impact on retention. Right now, it is essentially the only figure that I have got, the only analysis that I have got.

Do we have available to us an alternative analysis?

The CHAIRMAN. Yes, there is a CBO analysis. And I do not know if there are others, but we would be happy to provide you with them.

Mr. BATEMAN. I would appreciate that.

The CHAIRMAN. Generally speaking, the accession rate has gone up, you say, by 13 percent, is the increase of 13 percent what you testified in your testimony, Mr. Cox?

Mr. Cox. I think that is right, sir.

The CHAIRMAN. And the CBO says that retirement changes is going to be 2 to 4 percent against the 13-percent increase, and CBO says no problem, but Mr. Cox does not agree.

Mr. Cox. It is not accession, sir, so much as that retention is a problem.

The CHAIRMAN. I understand.

Mr. Cox. Retaining our experienced people.

General SHERMAN. There are two factors there. One is the economic assumptions. CBO and ourselves differ a little bit in that. And the second is using a retention rate which is historical and averaged over as long a period of time as you can and be comfortable with as opposed to using the most current one which would give you the best possible picture and the least impact.

You are not going to sustain those attrition rates, if history is any lesson, ad infinitem that we have experienced the last few years.

Mr. BATEMAN. Well, Mr. Chairman, I think that the thrust of my intellectual need is the fairest analysis that we have of the Defense Department's analysis, which apparently is the CBO analysis, and I would be benefited by the Department of Defense's analysis of the CBO analysis, because I would like to know as quickly as I can delve into and find it what the various assumptions are.

The CHAIRMAN. No question that we will be able to get you the information.

[The following information was received for the record:]

ANALYSIS OF RETIREMENT CHANGES

The CBO analysis reflects a "best case" situation utilizing retention assumptions which differ from those we used. For example, CBO utilized only the most recent retention rates for the baseline force. These rates have been unusually high. By contrast, the DoD analysis used a seven-year average retention rate (1976-1982) in recognition of the good and bad retention experiences that have occurred. The seven-year average reflects some years of poor experience, but also some years of good retention.

This average is below the retention rates we are currently experiencing; however, FYs 1984 and 1985 have been exceptionally good years for retention, which we do not expect to prevail for the 30+ years of projections. We believe it is more appropriate to use average rates to recognize the ups and downs that occur. When the $2.9 billion reduction is analyzed based on average rates, the long-run projection is not as optimistic as the CBO analysis indicates.

General SHERMAN. We used the same model.

The CHAIRMAN. You used the same model?

General SHERMAN. Yes.

The CHAIRMAN. Then it ought to be relatively easy.

Thank you very much for coming. We will have a couple of minutes break to get some coffee, and then we will go into General Sherman's testimony.

[Recess.]

The CHAIRMAN. Let us continue the hearings here for General Sherman. And he is now here in his role as Deputy Assistant Secretary of Defense of Guard/Reserve Manpower and Personnel. We will welcome now General Sherman not of retirement fame, but of Guard and Reserve fame.

STATEMENT OF MAJ. GEN. STUART H. SHERMAN, JR., DEPUTY ASSISTANT SECRETARY OF DEFENSE, GUARD/RESERVE MANPOWER AND PERSONNEL, DEPARTMENT OF DEFENSE

General SHERMAN. Thank you, Mr. Chairman and members. It is a pleasure for me to appear before this committee to discuss issues of direct concern regarding Guard and Reserve personnel. I do have a longer statement which I would like to have submitted into the record with your permission.

I would like to start by acknowledging the major contributions that this committee has made to enhance the quality of the National Guard and Reserve. And certainly, a credible deterrence and the ability to successfully execute our missions demands that we have an adequate supply both in peacetime and in mobilization of well-trained and highly motivated people to employ, maintain, and support our modern weapons systems.

We are making significant progress within the Reserve forces on this, but I am as equally quick to say that we have got a lot of hard work left in front of us.

We currently have the largest Selected Reserve in modern history. We are authorized to grow another 46,000 this year, and are requesting 51,600 next year, which I think is a direct reflection of the confidence that we both place in our Reserve forces.

Despite the increasing training requirements that this growth reflects, the number of people who have completed their initial training and are assigned to units will increase to 90 percent by the end of 1987. That will be up some 4 percent, and we will meet our long-term goal as of the end of 1997.

Parallel with that is continued growth in the full-time support which is the backbone which the drilling Reservists flesh out, and that growth is in the units where it should be. Again it shows the emphasis being placed upon building the Reserve component into a fully trained and fully equipped modern force.

Further, it supports the up tempo of both the training and the administration necessary with the change of emphasis being placed upon our Reserve forces within the total force policy.

Meeting our goals on strength is dependent entirely upon an adequate supply of accessions and controlling attrition. Our sustained 6-year growth can be largely attributed to reduced attrition or increased retention. Significant growth occurred between 1978 and 1982 despite widespead growth in the economy, decrease in the youth population, and a decrease in youth unemployment.

For career people, the continuation rate during that period increased significantly. However, for people with less than 6 years of service, the continuation behavior was not as high as we would like to see it, but it did improve slightly.

On the brighter side, the quality of accessions has again increased in 1985 over 1984; 88 percent of all enlistees were high school graduates compared to 1985 and 1984. We maintain an 89 percentile for those who scored above average or average on the enlistment tests which matched 1984.

In short, we have a higher quality force, who once they survive their initial enlistment are tending to stay with us longer. The Reserve forces are by nature older, having more years of service and being older in age. And this is good, but we must strike a careful balance to ensure that the force does not get too old.

For instance, in a comparison to the actives, 1 out of every 20 Active Force enlisted members are over the age of 40. In the Reserves, it is one out of five. For officers, the comparative figures are one out of three in the Reserves, and one out of five in the active.

We must ensure that these people can meet the same physical and training standards that we demand of our active forces.

Now how have we been able to meet that sustained growth? I guess that I liken it to real estate, an important factor being location. There are several important factors here in this business. First and foremost is good leadership and management. Second is the belief among the members that the mission is real, it is important, and it is supported. And certainly, the modern equipment, and the men that we have, and the women that we have flowing into the Reserves today should convince anyone that it is in fact supported and important.

Last but not least is a broad and balanced program of recruiting and retention resources to apply in a selective manner. Last November, we transmitted to this committee and the counterpart in the Senate the first report which brought together all of the recruiting and retention resources being applied in the Reserve forces.

That report is a good one. It is a good start. Not all of the data is there in the Reserve forces today. To provide as good an insight as we would like to have, and certainly not as good an insight as is currently enjoyed on the active side. We will continue to work for that.

We found that the growth, which has been significant, in our recruiting resources has helped us a great deal in terms of overcoming what we would have expected to be a substantial decline in the nonprior service gains over these past 6 years. We have asked for sustained growth in those recruiting resources.

To verify our beliefs with regard to the impact that they have, we have Rand doing a study of both the Reserve and the Active recruiting activities, and that study should be available this June to help us plan future strategies.

Advertising has been equally important in that regard. And the $8 million that we are asking for the joint advertising program for the Reserves this year will round out our ability to sustain that growth over the next 2 years.

Lastly, let me mention two quick items before questions. First is the IRR, the Individual Ready Reserve, and second are some of the legislative items of high interest to us.

This committee had an interest and directed a voluntary muster on the part of the Army during this year of the Individual Ready Reserve. That was accomplished during January. We are extremely pleased with the results of that, and it provides a very logical lead-in to a mandatory 1 day active duty screening for all members of the IRR starting in 1987, an initiative high on Secretary Webb's agenda last year.

In the area of new legislation, we have forwarded proposals on standardizing the UCMJ, the Uniform Code of Military Justice. We are very pleased that you saw fit to introduce a bill, the Reserve Officer Personnel Management Act, on the 18th of February, which is the companion part to the Defense Officer and Personnel Management Act on the active side.

There are several other legislative items including proposals for selected reenlistment bonuses to critical full-time support members, a common standard to be applied in the health and disability area regarding Reserve forces members, and protection of Reservists held captive in a foreign country. And last but not least, support for a tax incentive to our employers of Reserve and Guard.

Mr. Chairman, that very quickly summarizes the remarks that I wish to make. I am ready for your questions.

[Statement of General Sherman follows:]

PREPARED STATEMENT OF MAJ. GEN. STUART H. SHERMAN, JR.

Mr. Chairman and members of the subcommittee:

It is again a pleasure for me to appear before this subcommittee to discuss National Guard and Reserve Manpower. We have continued to make progress this past year. I would first, however, like to acknowledge the significant contribution that this subcommittee continues to make in its support of the Department's endeavor to strengthen and enhance the posture of our reserve components. As you know, the Selected Reserve strength is now at an all-time high and further growth is programmed to meet the mission, readiness and sustainability requirements placed on our reserve forces. I am confident that we will meet our manpower strength objectives, but we will continue to need your support in several areas.

TABLE 1

Selected Reserve End Strength

(Thousands*)

	FY 1980** Actual	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Army National Guard	366.6	440.0	450.5	462.8
Army Reserve	213.2	292.1	310.7	327.6
Naval Reserve	97.2	129.8	142.2	155.7
Marine Corps Reserve	35.7	41.6	43.0	44.4
Air National Guard	96.3	109.4	110.9	115.2
Air Force Reserve	59.8	75.2	77.4	80.5
DoD Total	868.7	1,088.1	1,134.6	1,186.2

* Detail may not add to totals due to rounding.
** For consistency, FY 1980 strengths have been adjusted to include Navy Training and Administration of Reserves (TARs) and Category "D" Individual Mobilization Augmentees (IMAs).

Table 1 depicts the Selected Reserve strength profile by reserve component.

Selected Reserve Personnel Strength

Between FY 1980 and FY 1985 Selected Reserve end strength levels increased by over 25 percent (Table 1). The FY 1985 end strength of 1,088,062 surpassed the previous peacetime high of 1,045,828 attained in FY 1984. A further strength increase of 98,100 is projected by the end of FY 1987. Over 51,600 of this increase is programmed for FY 1987. This increase reflects the demands of new and expanded missions assigned to the reserve components and expansion of our full-time support capabilities.

In FY 1987 the growth in Selected Reserve manpower end strength of some 12,300 Army National Guardsmen and 16,900 Army Reservists is focused on continued improvements in force readiness and further modernization of force structure. The activation of new units is planned for both the Army Guard and Reserve. The increase of 13,500 in the Naval Reserve represents increased manning to meet full wartime requirements in FY 1987, except for medical support and construction force activities, which will be attained by FY 1989. The Marine Corps Reserve increase of about 1,400 Selected Reservists will meet needs of requirements generated by additional unit activations compatible with the active force and will increase ground combat and support capability. The Air National Guard and Air Force Reserve are programmed to increase their end strengths by approximately 4,300 and 3,100 respectively. These increases support force structure growth, modernization of aircraft, and enhanced aerial port, aeromedical evacuation and civil engineering wartime capability.

The Coast Guard Selected Reserve strength increased to 12,600 personnel in FY 1985. With an increase to 13,000 Selected Reservists requested in FY 1987, the Coast Guard will continue its gradual growth in order to reduce mobilization shortfalls.

Even in view of the initial training requirements associated with these significant total strength increases plus the normal personnel losses, our trained strength in units, as shown in Table 2, will continue to improve. It is projected to improve

from 85.9 percent in FY 1985 to 90.2 percent in FY 1987, for all reserve components. The FY 1985 percentages range from about 82 percent in the Army and Navy Reserve to close to 100 percent for the Air Force Reserve. We expect to exceed 90 percent manning during FY 1987 with personnel who have completed this initial training.

TABLE 2

TRAINED MANNING IN UNITS AGAINST WARTIME REQUIREMENTS
(THOUSANDS)

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Wartime Requirements in Units	1110.0	1131.5	1167.5
Selected Reserve End Strength	1088.1	1134.7	1186.2
Total Personnel in Units who have Completed Initial Training	956.0	1009.2	1057.6
Percent Trained in Units	85.9	88.9	90.2

Full-Time Support Personnel

Full-time support personnel perform the management, administration, training, equipment maintenance, and similar essential tasks associated with the readiness of the Guard and Reserve. Full-time personnel include Active Guard and Reserve (AGR) members (who are counted as part of the Selected Reserve), military technicians (civilians who are also Selected Reservists who would mobilize with the supported unit), active force members (who provide full-time interface and support but are counted as a part of active force end strength), and Department of Defense civilians (who provide full-time support in a strictly civilian capacity and would not mobilize with the unit).

Full-time support personnel levels generally increase as the reserve components expand in size. The actual level required, however, must be derived from a detailed analysis of the full-time manpower needed to support specific units, missions and equipages.

From FY 1980 through FY 1985 there has been a growth of approximately 38,000 full-time support personnel of all types.

An additional increase of 9,300 is projected for FY 1986 and 13,100 for FY 1987. We are also requesting growth in both the AGR program and in the military technician program, albeit at a lower rate. There is a programmed decrease in the Army Selected Reserve Title 5 full-time support civilian strength due to facility transfers to the active force. Tables 3 and 4 depict the current plan for AGR, military technician, active component, and civil service programs of full-time support among the six DoD reserve components. Table 4 shows the categories of full-time support by component as a percentage of each component's total end strength for FY 1987. Appendix 1 contains the specific figures for each category.

TABLE 3

FULL-TIME SUPPORT (END STRENGTHS)

(AGR's, Technicians, Civilians, Active Component)

	Actual FY 1985*	Estimate FY 1986*	Estimate FY 1987*
Army National Guard	47,925 (10.9)	51,566 (11.4)	57,058 (12.3)
Army Reserve	26,329 (9.0)	26,451 (8.5)	26,653 (8.1)
Naval Reserve	23,940 (18.4)	28,017 (19.7)	33,054 (21.2)
Marine Corps Reserve	6,535 (15.7)	6,496 (15.1)	7,016 (15.8)
Air National Guard	31,712 (29.0)	32,822 (29.6)	34,171 (29.7)
Air Force Reserve	14,149 (18.8)	14,528 (18.8)	15,002 (18.6)
Total DoD	150,590 (13.8)	159,880 (14.1)	172,954 (14.6)

*(Percent of Total Selected Reserve)

TABLE 4

FY 1987

PERCENT OF EACH CATEGORY

OF FULL TIME SUPPORT

	AGR	MIL TECH	ACTIVE	CIVILIAN
Army National Guard	6.2	5.6	0.2	0.4
Army Reserve	4.2	2 5	0.4	1.1
Naval Reserve	14.9	—	4.3	2.1
Marine Corps Reserve	4.0	—	11.2	0.6
Air National Guard	7.3	19.6	0.6	2.2
Air Force Reserve	0.8	11.4	0.8	5.6

The Reserve Forces conversion to new missions and increased levels of more technologically complex equipment has continued, thus increasing the need for higher levels of full-time support personnel. We continue to support a mix of technicians and AGR personnel in the Army and Air Force's reserve components based on their respective mission requirements. Both types of support are needed. We will continue to press for a full-time support structure which recognizes costs, but which also recognizes resource availability, deployability, and overall mission effectiveness as prime considerations.

Individual Ready Reserve/Inactive National Guard

A major manpower challenge remains the availability at mobilization of sufficient numbers of pretrained individuals to fill wartime shortages in active and reserve component units, to replace untrained or partially trained unit members, and to serve as initial casualty replacements. The Individual Ready Reserve (IRR), the Inactive National Guard (ING) and military retirees constitute the bulk of this resource. Our concern is to ensure the availability of these members and enhance their readiness.

The readiness of the IRR/ING, will even be more critical by 1990 when total IRR/ING strength is projected to reach 663,000. This strength increase is principally a result of the recent increase in the military service obligation from six to eight years. We are now taking the necessary management actions concerning this resource to make certain that the increased numbers will be ready and available when and if needed.

As the result of an initiative of this Committee, the Fiscal Year 1986 Authorization Act required the DoD to conduct a muster test of the Army IRR. The Army began conducting a voluntary nationwide muster of a portion of its IRR in January 1986 and just under 7,000 IRR members reported for a one day muster last month. From this test, the Army is gathering personnel summary, skill testing, medical screening, and attitudinal information, as well as other data which will be used to evaluate the availability and fitness for duty of Army IRR members. The test is also examining the adequacy of current call-up procedures. While this is an important step, more needs to be done. The experience gained from this voluntary muster test will significantly contribute to planning for the involuntary program, which is a logical and necessary follow-on task initiated by this office.

Beginning in FY 1987, there will be a DoD-wide requirement for IRR personnel to perform at least one day of active duty each year to accomplish mandatory annual screening. This will provide for the evaluation of IRR skill proficiency and refresher training needs as well as mobilization availability. In addition to reinforcing the fact that the IRR is part of the Ready Reserve, the annual screening requirement will emphasize the legal obligation of IRR members to notify their respective service concerning changes in personal status. Current law and DoD policy requires the Services to continuously screen all Ready Reservists to ensure they meet proper wartime standards.

While the IRR annual reporting requirement that will

commence in FY 1987 is the most important action in our program to institute sound management of IRR resources, we are continuing with previous programs to ensure locatability, increase the numbers of those with needed skills and to address refresher training needs. In 1985, the Defense Manpower Data Center (DMDC) supplemented intensive Service efforts to locate IRR members by conducting file matchings with other Federal agencies and with active duty files in an effort to obtain more up-to-date location information. These efforts, will compliment the resource management stemming from the annual screening requirement. They are not sufficient by themselves to ensure proper to management of this critical resource.

The Army, Navy and Air Force have applied IRR Reenlistment Bonus Programs designed to reduce specific shortages in combat and other critical wartime skills. Since the last quarter of FY 1984, when the program was first implemented, over 6,000 servicemembers in combat and combat support skills have been added through the IRR reenlistment bonus. Our two-tier reenlistment bonus program, beginning in FY 1986 as a result of an initiative of this Committee, will include a six-year enlistment option, not to exceed $1500, in addition to the three-year enlistment. As a condition of receiving this bonus, recipients may be required to participate in active duty for training.

The readiness of the IRR depends in large measure on the Services maintaining the skill proficiency of members to perform their wartime tasks. The longer service obligation, while increasing the overall strength of the IRR, also increases the average length of time since training for many IRR personnel. The FY 87-91 Defense Guidance directed the Services to evaluate IRR skill degradation, and to conduct appropriate refresher training programs, beginning in FY 1988. In June 1985, a study was contracted to examine IRR training strategies and options.

Table 5 depicts the IRR/ING strength profile by reserve component.

Table 5

IRR/ING STRENGTH

(In Thousands)

Component	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Army National Guard (ING)	10,744	9,600	9,700
Army Reserve	301,825	318,900	336,100
Naval Reserve	71,462	84,500	93,800
Marine Corps Reserve	47,855	52,000	55,000
Air Force Reserve	45,983	39,200	42,500
TOTAL	477,869	504,200	537,100

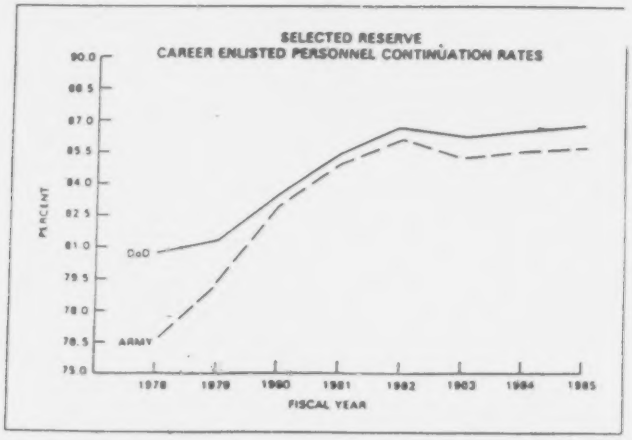
A study of the Mobilization Mailgram System for ordering IRR and military retirees to active duty in a national emergency was completed. The study revealed a substantial mismatch between DoD requirements and system capacity under peak mobilization conditions. However, a follow-up analysis based on voluntary improvements proposed by the Services and the commercial carrier reflects a significant increase in system capacity. Included as part of the Mobilization Mailgram is the Military Emergency Travel Warrant (METW), which is to be used to expedite emergency transportation in the event of a national emergency requiring the immediate recall of members of the IRR, certain military retirees and members of the Standby Reserve. The Office of Management and Budget approval of the METW as a DD Form 2399 was obtained.

Recruitment and Retention

The ability of the National Guard and Reserve Components to meet their strength goals is dependent in large part on their ability to control attrition. By reducing attrition, which in FY 1984 in training costs alone, for the US Army Reserve, represented over $650 million, we reduce personnel turnover within units, thereby directly enhancing readiness. While unprogrammed attrition from the Selected Reserve continues at levels higher than we desire, between 1978 and 1985, the number of enlisted accessions (NPS plus PS) for the reserve components

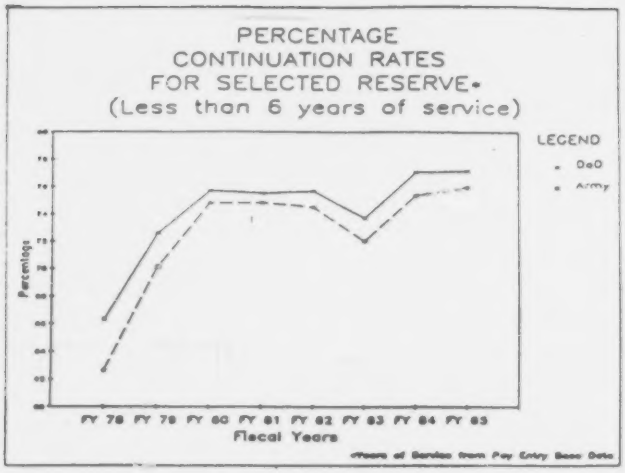
increased by 16 percent. At the same time, end strength inoreased by 38 percent. It is clear that much of the sustained growth in the Selected Reserve end strength must be attributed to reduced attrition. This is supported by Figure 1 which shows the significant improvement which occurred between 1978 and 1982 in DoD-wide continuation rates for career enlisted personnel. These continuation rates simply measure the proportion of career personnel in the Selected Reserve at the end of one fiscal year who are still in the Selected Reserve at the end of the next fiscal year.

FIGURE 1



Among personnel with less than six years of service, improvement in continuation behavior has been less uniform and we remain concerned with losses prior to completion of the initial term of service. Figure 2 shows continuation rates for individuals having less than six years of service.

FIGURE 2



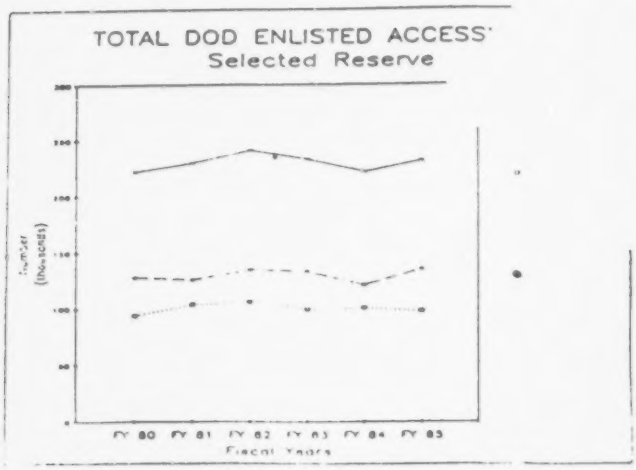
There has been a small decline in attrition among NPS recruits with one to three years of service. The figures for the fourth and fifth years of service show greater improvement, rising from 37 percent to 62 percent in the fifth year. This achievement has resulted from service and command emphasis, better equipment, more realistic training, and improved retention attributable to Selected Reserve incentive programs.

Since 1982, widespread expansion in the civilian economy and a decline in the size of the youth population have worked against recruiting and retention efforts undertaken by the reserve components. Youth unemployment, a factor that has been shown to be positively related to reserve non-prior service accessions in the reserve components, has been reduced dramatically. In the absence of any offsetting factors, these trends might have been expected to result in a substantial decline in the number and quality of non-prior service accessions. Instead, the number of non-prior service recruits has declined only slightly and we have continued to achieve our increasing total end-strength objectives.

During FY 1985, the reserve components enlisted a total of 232,400 people or five percent more than in FY 1984, which was

just under 222,000 (Figure 3). Four of the six DoD reserve components met or exceeded their overall recruiting objectives. Although the Army components (Army National Guard and Army Reserve) exceeded their end-strength objectives by enlisting more prior service recruits and through improved retention programs, they continued to experience some difficulty enlisting recruits with no prior military service. The Army enlisted 68,600 non-prior service recruits which was nine percent less than in FY 1984.

FIGURE 3



In addition, the quality of accessions increased over the previous year. Eighty-eight percent of all enlistees were high school graduates compared to 85 percent in FY 1984. Eighty-nine percent scored average or above on the enlistment test (Categories I through III) matching FY 1984 results. In FY 1985, the Army components achieved 87 and 89 percent, respectively, exceeding last year's quality which closed at 81 and 88 percent. Black enlistments accounted for 20 percent of all accessions, and women were 12 percent. These proportions were approximately the same as in FY 1984. Table 6 below reflects the current profile of quality enlistments into the Selected Reserve.

TABLE 6

SELECTED RESERVE ENLISTMENTS (DOD)
QUALITY INDICATORS

Quality Indicators	FY 1980 Number	FY 1980 Percent Of Total Enlistments	FY 1985 Number	FY 1985 Percent Of Total Enlistments
High School Graduates*	168,500	78	204,200	87.9
AFQT I-III**	172,200	75	207,300	89.2

* Includes equivalency certificate and diploma graduates, and best available estimates of those high school students who enlisted prior to their graduation and were expected to graduate.

** AFQT Categories I-III include enlistees who scored average or above on the enlistment test.

One of the most critical factors in achieving reserve force readiness has been the ability to meet and sustain Selected Reserve manpower requirements, both in numbers and quality. Two categories of factors which have contributed to the success rate experienced by the Services since 1978 are (1) an increase in Selected Reserve recruiting and retention resources including introduction of comprehensive enlistment and reenlistment incentive packages and (2) leadership and management initiatives aimed at making the most of available resources.

Impact of Recruiter Resources

Increases in the number of reserve component recruiters appear to have played a particularly important role in this success. While there have been no analytic studies that identify the specific impact reserve recruiters have had on accessions, it is not unreasonable to expect these kinds of resources to be as effective in achieving reserve accessions as they are in drawing active component accessions. The number of reserve recruiters increased by 15.3 percent between 1978 and 1982 and then rose by 42 percent between 1982 and 1985, a significant factor helping to offset falling youth unemployment rates and a declining youth population.

To verify our beliefs concerning the impact reserve component recruiters have had on the numbers of high school graduate non-prior service recruits accessed, the Rand Corporation is analyzing the character of Selected Reserve NPS accessions as well as the significant differences in the dynamics of active and reserve force recruiting of NPS members. This information will form a basis for use in forecasting future NPS accessions for the reserve components. Preliminary results from this analysis should be ready in June of this year.

Advertising has also been important. The advertising program for the reserve components is built around a national advertising plan complemented by local advertising and active public service campaigns. Of particular significance has been the Joint Reserve recruiting advertising available to the reserve components. The approximate $8.0 million requested for FY 1987 builds our advertising buying power to levels that will permit a viable and effective reserve recruiting program, targeted particularly to the faltering non-prior service market. Recognizing the need for additional research to identify the levels at which military advertising should be funded, the Secretary of Defense directed that a national-level advertising mix test be conducted. The results of this test, expected in March 1986, will provide more definitive data about the effects of varying levels and mixes of Joint and Service-specific advertising. Although the test focused only on active enlisted programs, some of the conclusions derived from it may prove applicable to reserve component advertising.

Last November we transmitted to the House and Senate Committees on Armed Services a comprehensive report on recruiting and retention resources for the reserve components. Our study concluded that increased resources and expanded incentives, such as the reenlistment and affiliation bonus programs, have played a crucial role in enabling the reserve components to meet our increasing manpower requirements. The benefit to the Selected

Reserve has been to produce longer and higher quality enlistments and reenlistments. Table 7 below provides an overview of the Selected Reserve incentive program. Funding levels from FY 1985 through FY 1987 are highlighted in Table 8.

TABLE 7

SELECTED RESERVE INCENTIVES

Enlistment Bonus	Educational Assistance*	Reenlistment** 3 Yrs	6 Yrs	Affiliation*** Bonus	Loan Repayment
Up to $2,000	Up to $4,000 for expenses incurred	$2,500	$5,000	Up to $50 per Month	15% or $500 of balance of loan for each year served

* The current Educational Assistance Program was suspended for 3-years coincident with the effective date of the Selected Reserve GI Bill on 1 July 1985.

** FY 1986 Authorization Act increased the 3 year bonus amount from $900 to $2,500 and the 6 year bonus amount from $1,800 to $5,000.

*** FY 1986 Authorization Act increased this bonus from $25/month to up to $50/month.

TABLE 8

READY RESERVE INCENTIVE PROGRAM

(THOUSANDS)

	FY 1985 Actual	FY 1986 Estimate*	FY 1987 Estimate*
Army National Guard	55,562	67,512	68,029
Army Reserve	23,152	31,955	34,087
Naval Reserve	5,561	11,413	11,257
Marine Corps Reserve	3,323	4,214	3,080
Air National Guard	7,372	8,353	8,937
Air Force Reserve	2,530	5,157	6,565
DoD	97,500	128,604	131,955

*Revised 86 Column, FY 1987 President's Budget

Program Initiatives

We are considering legislative proposals to pay a Selective Reenlistment Bonus (SRB) to Training and Administration of Reserves (TAR) and Active Guard/Reserve (AGR) members in designated high technology skills in high priority units. A special drill pay for seagoing Naval Reserve members is also under review.

Our challenge is unmistakable. Selected Reserve end-strength is projected to rise by over 15 percent between 1985 and 1990. To offset the effects of the improving economy and competitive alternatives for secondary employment, increased resource levels will be required. The provisions contained in Public Law 99-145 for expansion of enlistment and reenlistment bonus ceilings, the new prior service bonus to attract veterans with critical skills, the extension of loan repayment to officer personnel in the health professions, will assist in the management of supply fluctuations in the face of growing Selected Reserve manpower requirements. We will continue to identify and pursue management initiatives and personnel policies that will increase the positive impact of each dollar allocated to the different reserve recruiting and retention incentives.

Legislative Proposals

Late last year we forwarded two important legislative proposals for your consideration. The first concerns the use of the Uniform Code of Military Justice, or UCMJ, by our reserve components.

The 1984 Court of Military Appeals decision in the case of U.S. vs. Caputo, was the catalyst for this proposal and lends urgency to its early enactment. Caputo holds that any change in the duty status of a reservist (i.e., the end of a period of inactive duty training or completion of active duty for training) constitutes a break in service, and that personal and subject matter jurisdiction cannot be revived upon the reservist's

subsequent return to an inactive or active duty status. This would require that all offenses under the UCMJ be processed during the drill period or tour of active duty in which they were committed, or that an individual be held after such a period in order to prevent his or her "status" from being interrupted. We believe it is essential that the reserve components, which must be available for immediate mobilization, are subject to the same disciplinary standards as the active forces when they are in a duty status.

The proposed Reserve Jurisdiction Act provides that UCMJ jurisdiction at the time of commission of an offense may not be defeated by virtue of the termination of a period of active duty or inactive-duty training. It also eliminates the obsolete requirement that jurisdiction over offenses committed by reservists on inactive-duty training be conditioned on the voluntary acceptance of orders stipulating to such jurisdiction.

The second proposal deals with our system for managing reserve officer personnel. A comprehensive system of law providing the basis for the appointment and career management of reserve officers was first enacted in 1954. Only piecemeal adjustments to that legislation have been made during the ensuing 30 years. Over the past four years, we have worked to produce a comprehensive Reserve Officer Personnel Management Act (ROPMA), designed to provide compatible personnel systems for all officers, whether on the active duty list, the reserve active duty list or the reserve active status list.

This December we forwarded the ROPMA proposal to the Congress. I believe this important legislation deserves your early consideration. It will revise and update the laws which govern the appointment, promotion, separation and transfer to the Retired Reserve of reserve commissioned officers of the Army, Navy, Marine Corps and Air Force. It will provide a system for long-range planning essential to providing reserve officers with attractive and meaningful careers, and to attract and retain

officers of the proper age and grade, who possess the skills and experience the reserve components need.

I continue to be concerned about the adequacy of the current statutes regarding health and disability coverage for Guard and Reserve members. While important improvements have been made in recent years, benefits and entitlements for reservists vary by the type of orders, duty status and the period of time the member is ordered to active duty.

This issue has received some attention by all the Services in light of increased reliance on the reserve components in the Total Force and the participation of reservists in hostile fire operations in Grenada and Lebanon. Benefits and entitlements are specific by public law. Recent actions of the Congress have made progress in this area and we will be forwarding further legislative changes, as well as a common standard to be used by the Services in interpreting and administering regulations, to assure equal protection for all personnel.

A related concern is the protection of reservists who may be missing, detained, or held captive by a hostile force or in a foreign country. We are reviewing a legislative proposal to provide authority to call to or continue on active duty members who may be involved in such incidents while on training duty or enroute to or from such duty.

Reserve Medical Manpower

The final manpower issue I would like to discuss today concerns the medical readiness of our force. The ability to respond quickly to a wartime casualty flow is one of the most serious concerns within the Department of Defense, and has been the subject of much effort by Dr. Mayer, the Assistant Secretary of Defense for Health Affairs.

This is a top priority. Members of our staff serve on the Wartime Medical Capabilities Study Steering and Working Group. Our Deputy Assistant Secretary of Defense for Guard and Reserve Manpower and Personnel is the co-chairman of the Reserve

Components Medical Council. We are working closely with Dr. Mayer and his staff to establish definitive wartime requirements for medical personnel, equipment, and evacuation needs under several different war scenarios. The results of these internal DoD studies will be integrated with results of the congressionally directed blue ribbon medical resources study. We will then know more precisely how many guardsmen and reservists, by skill, must be available for wartime needs and should be presently assigned to actual medical units, and how many we can draw from the IRR, Standby Reserve and military retirees.

We are addressing estimates regarding the total required medical resources and are analyzing the reserve components' ability to provide the requisite numbers of highly trained medical professionals (doctors, nurses and technicians). More than 50 percent of all the personnel required to provide wartime medical care will come from the reserve components.

Family and Employer Support

We have continued our effort to assist the reserve components in communicating the vital role of the National Guard and Reserve to audiences including the active force, the reserve component members and their families, employers, public opinion leaders and the general public.

Among the most important audiences are the families of National Guard and Reserve members. Family attitudes exert a major influence on the retention of military personnel. This is at least as true in the reserve components as in the active force. We need much more information on the demographics of reserve component members and their families. The 1986 Reserve Components Survey is now going to the field. As I indicated last year, a comprehensive survey has never been conducted of the total reserve force and their spouses. In addition to important data relevant to compensation, entitlements, training and readiness, the resultant information will assist us in developing programs to improve family support and understanding and as a

result, improve retention. It will also give us needed planning data to ensure that we can provide necessary support for Guard and Reserve families upon mobilization.

In addition to the survey, we have implemented the pre-enrollment of members of the Selected Reserve plus their dependents into the Defense Enrollment Eligibility Reporting System, commonly known as DEERS. Among the primary objectives of DEERS is the development and maintenance of a capability for partial mobilization to include the ability to incorporate Guard and Reserve sponsor and dependent data in the DEERS database. Phase I, which should be completed by the end of March 1986, involves 200,000 members of high priority units plus dependent enrollment of over 200,000. The dependent enrollment is based on a factor of 1.4 dependents per sponsor making a total of over 400,000 individuals involved in the initial enrollment effort.

The purpose of this pre-enrollment program is to ensure that family members of mobilized reservists will have the proper medical benefits available to them, the same as the active force dependents, once mobilization begins.

One of the most effective ways of educating the American public is through knowledgeable people within their own communities. Our National Committee for Employer Support of the Guard and Reserve has an established network of state-level committees and nationwide programs to gain and maintain public and employer awareness and support. Non-paid, volunteer membership on these committees now numbers over 3,000 and includes influential business, labor and civic leaders and officials. These volunteers are supported by a National Committee staff of about 30.

The National Committee directs a nationwide public service advertising program sponsored by the Advertising Council. This year, some 900 television and over 5,000 radio stations will broadcast Public Service Announcements. Printed materials were furnished to more than 9,000 daily and weekly publications. Our

1986 advertising strategy will continue to focus on the contemporary roles and missions of the reserve components. While focused on employer support, there is also a valuable payoff in improved public understanding.

The 1985 Association Liaison/Exhibits Program provided employer support exhibits at 14 national and international professional and business associations conferences. Special recognition presentations were made to Chief executive and public relations officers of 22 major associations. More than 2,200 formal statements of support were distributed to employers. The Direct Mail Information Program provided employer support information packets to many thousands of employers in selected states. Certificates of appreciation were presented to 13,500 employers nominated by their reserve component employees for their support of participation in the National Guard and Reserve. One hundred and sixty State Chairman's awards and 31 PRO PATRIA awards were presented to employers whose supportive efforts were exceptionally meritorious.

The National Committee's Ombudsman Program effectively resolved hundreds of employee/employer problems. In most cases these problems were resolved through improved communication and understanding, and all parties benefited. There is close coordination with, and excellent support from, the U.S. Department of Labor. The employment protection programs administered by the Labor Department not only provide equity in accordance with statute and case law but also show an enforcement presence which assists DoD in its recruitment efforts from all areas of industry and civilian employment. We have assigned a reserve legal officer as liaison to the Department of Labor and worked with Labor in the issuance of supplemental guidelines on employment protection for reservists.

Existing evidence indicates that approximately one-third of the losses incurred by the National Guard and Reserves are the result of conflicts between reserve component military duty and

the full-time civilian employment of Guardsmen and Reservists. The resultant reserve component losses increase costs and reduce readiness. Under the law employers must grant a leave of absence to those of their employees who are members of the reserve components to accommodate military training. This legal requirement can place a significant burden on employers and some are reluctant to hire Guardsmen and Reservists for this reason.

Conclusion

In summary, today's National Guard and Reserve enjoy better status and readiness, and continue to assume an increasingly important role in our defense strategy. While some problems remain, I am confident that as we continue to improve the effectiveness of the National Guard and Reserve, we will be improving the total capability of this Nation's defensive posture. That is, and must remain, our first and foremost aim.

Mr. Chairman this completes my testimony. I thank you once again for the opportunity you have given me to appear before this Committee today. I am prepared to answer questions.

APPENDIX 1

FULL-TIME SUPPORT (END STRENGTHS)

Active Guard and Reserve (AGR)

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Army National Guard	21,059	23,731	28,721
Army Reserve	10,751	12,157	13,657
Naval Reserve	15,012	19,010	23,197
Marine Corps Reserve	1,134	1,475	1,782
Air National Guard	6,369	7,269	8,356
Air Force Reserve	570	635	676
Total DoD	54,895	64,277	76,389

Military Technicians

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Army National Guard*	23,769	25,290	25,799
Army Reserve	7,852	7,623	8,032
Air National Guard*	22,145	22,242	22,532
Air Force Reserve	8,064	9,042	9,175
Total DoD	61,830	64,197	65,538

* Excludes non dual-status support technicians hired under title 32.

APPENDIX 1 (Continued)

Active Component

	FY 1985 Actual	FY 1986 Estimate	FY 1986 Estimate
Army National Guard	973	782	784
Army Reserve	1,230	1,230	1,230
Naval Reserve	5,847	5,816	6,650
Marine Corps Reserve	5,180	4,765	4,978
Air National Guard	724	719	710
Air Force Reserve	743	640	609
Total DoD	14,697	13,952	14,961

Civil Service

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Army National Guard*	2,124	1,763	1,754
Army Reserve	6,496	5,441	3,734
Naval Reserve	3,081	3,191	3,207
Marine Corps Reserve	221	256	256
Air National Guard*	2,474	2,592	2,573
Air Force Reserve	4,772	4,211	4,542
Total DoD	19,168	17,454	16,066

* Includes non dual-status support technicians hired under title 32.

The CHAIRMAN. Thank you, General Sherman. Bud Hillis.

Mr. HILLIS. General Sherman, as I interpret your remarks, you are telling us that the Reserve is not only alive, but it is well, is that about right?

General SHERMAN. Yes, sir.

Mr. HILLIS. That it is in the best condition that it has been in for a number of years?

General SHERMAN. We think so, but not that it cannot get better, and we hope to make it so.

Mr. HILLIS. I would like to ask a couple of questions in the area of medical readiness as it relates to the Reserve components. I think that you mentioned in your posture statement the importance of DOD being able to respond quickly to a wartime casualty flow, and that Dr. Mayer, the Assistant Secretary of Health Affairs, is leading various studies to remedy the current situation.

To further elaborate in this area, can you tell the committee what medical and related skills have been identified at a minimum as being critical in the event of mobilization, and the number of Reserve component personnel needed to fill the skills; and I would like for you to tell us how large in your opinion the gap is between the skills that are needed and what we have now, and then what measures would you take to eliminate the shortfall if it exists?

General SHERMAN. Your question describes a tall order and a very important one, and certainly at the top of our priority list both for Secretary Mayer and Secretary Webb as well as the whole Department.

The issue of the total medical manpower requirements in wartime is one which we have a figure for now, but that we are not comfortable with in terms of the differences among the services in the calculation of those requirements. And ongoing now within the Joint Chiefs of Staff and Dr. Mayer's staff is the refinement of the modeling which will allow that to come into focus this year as part of the 1988 budget construction.

That information will be blended with the output of the Blue Ribbon Commission dealing with the peacetime configuration of the medical resources. So that describes how much needs to be in the Active and how much needs to be in the Reserve. That is really the first part of the problem in getting the answer to your question.

The second part of the problem is knowing what we have on hand today versus what we think our requirements are today. And we have been very active in that regard. We are just now completing a baseline on the Army Reserve and the Army Guard components of the total Army.

And that will give us wartime versus peacetime versus actual manning against each of those. As an example of where we are short, clearly it is in the surgical skills within physicians.

The Army Reserve, for instance, is only about 70 percent manned at this time in those. Nurses, operating room, clinical nurses, surgical nurses. The operating room technicians on the enlisted side is another critical area where we currently have shortages.

Those are examples of what we think probably exists throughout each of the components, but I cannot today tell you definitively

what those numbers are or whether they are correct with respect to a wartime requirement.

I do think that we have in conjunction with Secretary Mayer the right things ongoing to get at that in a very short period of time.

Mr. HILLIS. General, you recall, of course, a few years ago that Congress adopted a requirement that the youth register, not be drafted, but that they register, so that we know what numbers are available, who is in the age bracket, and where they are located and so on.

General SHERMAN. Yes, I do.

Mr. HILLIS. Would there be any value at all of this committee and the Congress looking at perhaps extending that into the area of medical professionals, just so that we have an inventory of people, and know who they are, and that they could be identified easily, would that help your problem?

General SHERMAN. I do not think so. The history is such that when we needed those people in wartime, they have been more than forthcoming in this respect, particularly in the nursing area for example. If you go back and look at history in World War II, we were equally short then compared to what we turned out needing, and that need was more than met by voluntary actions on the part of people who were so trained.

We are better off today with respect to having those resources present in the Nation compared to what we believe our needs are than we were then. So we do not think that it is necessary for preregistration of those people.

Mr. HILLIS. I have one final question. Last year's Defense Authorization Act provided two new incentives to attract physicians and other health care professionals with critical skills like surgeons that you mentioned and operating room nurses into the Reserve, a Higher Education Loan repayment and a scholarship program.

I want to know how are these being implemented, is there any indication as of now how successful they may be, and what additional incentives of this type would you recommend?

General SHERMAN. Those two incentives are very good ones, and they are being implemented. There is approximately $5 million in 1986 to deal with the loan repayment program, and $1 million being applied to the payment of an amount equal to that received by medical personnel in the health professionals scholarship program for those who are in critical skills who agreed to serve in the Reserve components, in the Selected Reserve. So that is being implemented now. As a matter of fact, the instructions went to the services earlier this week on that.

Mr. HILLIS. Thank you.

The CHAIRMAN. Pat.

Mrs. SCHROEDER. Thank you, Mr. Chairman. I just wanted to follow up a little bit on what Congressman Hillis was asking about. If you have to have a surge capacity, which is what we are really talking about with Reserves, how we buy surge capacity, and we are looking at the medical professionals, I guess my question is what do you do in Reserve training for medical professionals that is different from the civilian sector; I mean operating nurses still operate the same way probably, and doctors do, right?

General SHERMAN. Yes.

Mrs. SCHROEDER. So we are just paying them to be on standby in a way.

General SHERMAN. Well, we are doing a little more than that. Clearly, the trauma type of medical activities are similar. On the other hand, the functioning of those people in a wartime environment in a location overseas with the types of equipment is a little different. And we were just recently going through the reforger exercise, the annual exercise in Europe, where this year some 40 percent of the units participating were from the Reserve forces. Following the completion of that, we had a number of the general hospital commanders come in and describe to us what the benefits and problems were with respect to that exercise that were actually over there.

And clearly, the process of getting in country, of occupying sometimes space that is unfamiliar, of drawing the equipment, of setting it out, and working all of the administrative aspects that support the flow of the medical work are very necessary for those people to understand to function quickly.

Mrs. SCHROEDER. But I guess where I am going is that it seems to me that when we are in this tremendous budget crunch, that does it not make sense that if you could register medical people and know where they are, and you had a good lead on their skills bank—obviously for people in trauma practice and stuff, you need to know people working in emergency wards and so forth—you know, break that out, not just the clinic practice but if you had it more specifically laid out, would that not save us a lot more money than putting a lot of reserves in the military.

Now I understand that there are some differences, but you could also find a way to train the professionals, because they are going to be doing the supply back-up, and they could also be doing a quick training of them. I mean basically your training is not that complex for what you are doing, because the real training they already have. It has taken them years to get, and it is hands-on and they already know.

So as we look at this, would we not be well to look at maybe more the Israeli model on how they do that, I mean how you would pull people in real fast?

General SHERMAN. The Israeli model is a little different in terms of the terrain on which you play, not only with respect to medical but with respect to combat forces. So I would not make a direct comparison in that regard.

I cannot argue with you with respect to being a less expensive alternative of preregistration, and then having people on call. I do differ somewhat in the thought process that some amount of orientation and training is necessary in order to be a functional unit on the time scale that is required in a general conventional war in Europe.

Mrs. SCHROEDER. But you would probably have to do that anyway. If you called up Reserves, you still would be doing some training, I think, before they went.

General SHERMAN. There is not a lot of time the way that our forces are structured; 70 percent of our medical resources are in

the Reserves now for wartime. And we are depending upon those people very quickly in the early stages.

Mrs. SCHROEDER. How long does it take, if you were to call up Reserves, how long does it take from the call-up time to when they are ready to go?

General SHERMAN. On some units, it is 24 to 48 hours.

On others, it is longer depending on where they are in the deployment schedule.

Mrs. SCHROEDER. And the medical units, are they on a deployment scale, or are they at different places?

General SHERMAN. They are on various time phases of that schedule. Some are very early.

Mrs. SCHROEDER. Thank you.

The CHAIRMAN. Herb Bateman.

Mr. BATEMAN. Thank you, Mr. Chairman.

General Sherman, on page 20 of the written statement, you make reference to the Caputo decision and legislation that was sent up late last year.

Do you know whether or not that is in this committee, or whether that has gone to the Judiciary Committee, or just where it may be languishing, or if it is languishing?

General SHERMAN. It may have to go to the Judiciary Committee. It has not yet been introduced as a bill.

Mr. BATEMAN. I see.

General SHERMAN. With the press of budget business, there are a number of things languishing, but that is clearly one that we would like to see out in front.

Mr. BATEMAN. Have you received any sort of danger signs that there is a body of opposition or concern?

General SHERMAN. With respect to that particular one, no. There are three elements, two of which are very straightforward, and have to do with the extension of the jurisdiction over a member who commits an offense while on active duty, or on active duty for training. And those very easily could be incorporated into the language this year. The question seems to be time for hearings obviously across the board.

Mr. BATEMAN. Thank you, General. That is all of the questions that I have, Mr. Chairman.

The CHAIRMAN. Are there no more questions by anybody?

[No response.]

The CHAIRMAN. Well, thank you very much, General Sherman.

General SHERMAN. Thank you, Mr Chairman.

The CHAIRMAN. I do not know where Sonny Montgomery is. We would no doubt have another hour of questions on the Guard and Reserve. But he is not here, so we get off early for lunch. The committee will be adjourned.

[Whereupon, at 11:37 a.m., the hearing was adjourned, subject to the call of the Chair.]

MANPOWER AUTHORIZATION

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE,
Washington, DC, Wednesday, March 12, 1986.

The subcommittee met, pursuant to notice, at 10:35 a.m., Hon. Les Aspin (chairman of the subcommittee) presiding.

STATEMENT OF HON. LES ASPIN, A REPRESENTATIVE FROM WISCONSIN, CHAIRMAN, HOUSE COMMITTEE ON ARMED SERVICES, AND CHAIRMAN, MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE

The CHAIRMAN. The meeting will come to order. I would like to welcome our guests here in the continuation of the hearings about the personnel segment of the fiscal year 1987 budget.

We have various people here who can help us discuss the issues of the personnel from the standpoint of the various Services. We welcome all of you gentlemen here this morning. We do have some material in the budget here, a pay raise, some end strength increases that we would like your attention paid to. But perhaps the best thing for us would be to just turn it over to you gentlemen, make your presentations and then we would like to ask some questions.

Does the gentleman from Indiana have any questions or opening statement?

Mr. HILLIS. No, Mr. Chairman; thank you.

The CHAIRMAN. As to who should begin, is there any preference? If not, we will start with General Elton.

STATEMENTS OF LT. GEN. ROBERT M. ELTON, DEPUTY CHIEF OF STAFF FOR PERSONNEL, U.S. ARMY

General ELTON. I thank the chairman very much.

Mr. Chairman, I have a prepared detailed statement with a number of charts. I would like to ask your permission to put that in the record.

I have three major points that I would like to make as we get started.

First is on recruitment. As you are well aware, a successful recruiting of quality soldiers is probably the life blood of our force. Because the Congress has been exceptionally good to the Army and provided the resources that were needed and because we have put a great deal of intensive pressure on recruiting, put some of our very finest and noncommissioned officers into that role, we have achieved the mission.

We found over the last few years that quality young men and women are attracted by an organization that provides them the ability to grow and also attracted by an organization that provides them incentive for further growth after they leave the service.

We found that without any shadow of a doubt that educational incentives and enlistment bonuses are key to attracting these quality young men and women. At the present time educational funds have been withdrawn from the 1987 Army budget. So we must have, we absolutely must have a basic educational incentive plus a kicker to remain competitive for those skills that are very difficult for us to recruit. These are needed both for the active and for the reserve components.

The second point has to do with retention. The Army has made some startling progress in reducing early attrition. These results have been due primarily to streamlined programs in the training base and leadership emphasis in our tactical units.

We have made our reenlistment goals in all of our categories except those who are retirement-eligible. We have gone out to ask people why this is happening. We have asked our reenlistment NCO's, we have talked to the noncommissioned offiers retiring and they tell us it is the uncertainty in the compensation. The fact that the pay raise is in danger, and also the retirement program, are major factors. They say they are signalling an erosion of what they consider to be a reasonable total compensation.

I have included on page 6 of my testimony a chart which shows the reduction already. Comparing the first quarter of fiscal 1985 with the first quarter of 1986, the reduction is 4 percent in the reenlistment rate of those retirement eligible NCO's. Those NCO's, as you know, are Platoon Sergeants, First Sergeants and Sergeants Major, and provide the experience and guidance to the remainder of the force. Now they are saying this even though they are fully aware that they would be grandfathered if there is any change to the retirement program.

The situation we find ourselves in right now, that is all of the Services but the Army in particular, we must take action, or action should be taken, to restore retirement funds before the first of May or we would have to reduce the end strength of the active component by as many as 120,000 and the reserve component by as many as 112,000.

In addition to this, we are asking your consideration for the selective reenlistment bonus program which is absolutely crucial to the reenlistment of soldiers with very critical skills.

The third point I want to make has to do with families. We believe in the Army that the stronger the family the more ready is our Army.

For over 3 years now we have worked very hard to develop a streamlined and what we think is a highly effective program that focuses on the readiness of our families.

We are extremely grateful to the Congress for the Military Family Act of last year. This is of tremendous assistance is primarily focused on enlisted soldiers and is truly needed.

The program growth that we have in 1987 is nominal, it is less than $20 million in new starts and $40 million overall. But this steady growth signals an acceptance, we feel, by the Congress of

the importance of the proper care for our family members. It also signals the permanence of the programs that we think are vital to a healthy lifestyle in the military. So we would ask your assistance in the areas of medical support, military construction and PCS initiatives, all of which we have outlined very clearly.

Mr. Chairman, I am ready for your questions.

[The statement of General Elton follows:]

PREPARED STATEMENT OF LT. GEN. ROBERT M. ELTON

Thank you, Mr. Chairman. It is a privilege for me to appear before you today. If I may, I would like to briefly summarize my statement and ask that it be put into the record, along with key supporting charts.

Secretary Marsh and General Wickham have already presented their vision built on several vectors for our Army. My initial comments will be addressed to their first vector—quality soliders and strong families in both our active and reserve components.

Our personnel readiness continues to be built on a foundation of quality soliders and leaders supported by dedicated and committed Army families. We owe a huge vote of gratitude to this Congress for the Military Family Act of 1985 and other family program support. Thanks to your considerable assistance, we are beginning to make substantial improvements in the quality of life programs for our soldiers and their families. We firmly believe the stronger the family, the more ready the Army. Accordingly, we shall continue working hard to maintain our momentum and bring our plans to reality.

THE ARMY FAMILY PROGRAM

($ MILLIONS)

	FY85	FY86	FY87
FAMILY HOUSING CONST & OPS	1328.4	1430.1	1733.8
ALL OTHERS:	(19.8)	(67.0)	(109.9)
CHILD DEVELOPMENT CENTER CONSTR	9.9	39.9	45.6
EXCEPTIONAL FAMILY MEMBER PROGRAM	9.2	12.0	14.2
FINANCIAL PLANNING & ASSISTANCE	0.0	3.4	7.4
FAMILY (IN-HOME) CHILD CARE	0.0	6.2	8.4
STUDENT TRAVEL	0.7*	1.7	2.4
FAMILY MEMBER EMPLOYMENT	0.0	0.7	5.1
ARMY FAMILY SERVICES	0.0	3.1	7.8
INSTALLATION VOLUNTEER COORD	0.0	0.8	1.6
CHILD DEVELOPMENT CURRICULUM	0.0	0.0	6.8
ALCOHOL/DRUG ABUSE REHABILITATION	0.0	0.0	3.1
OUTREACH FOR JUNIOR ENLISTED	0.0	0.0	4.8
AFTER SCHOOL CHILD DEVEL PGM ("LATCH-KEY")	0.0	0.0	2.7
TOTAL	1348.2	1497.1	1842.9

*ADDITIONAL $1.3M FUNDED AT MACOM LEVEL

Our commitment to families is not limited to the fiscal resources you have provided. Through positive, caring leadership, we feel we can maximize the effectiveness and benefits of our new programs. Our sensitivity to "grass roots" leadership can best be described by the response of a young sergeant's wife in which she said "Gen-

eral, these programs from Department of Army sound great, but they only happen here because my husband's company commander *cares*!" So, the proactive attitudinal shift is beginning to permeate the chain of command.

At all levels. I appreciate your continued support and want to assure you that every quality of life dollar will return its investment many times over.

As we continue to improve the quality of our enlisted force and increase combat force structure, we maintain a constant end strength just under 781,000 through fiscal year 1987. Our force structure changes have been achievable as a result of greater reliance on our reserve and civilian components, contractual activities and organization modernizations.

In this regard, our reserve component end strength increases from 761,000 to 790,000 during fiscal year 87 and is projected to surpass our active component end strength for the first time in our history. In the civilian component, however, we project a decrease of about 2,000 as a result of reduced strength levels in depot maintenance and supply operations.

ARMY MANPOWER

	FY 85	FY 86	FY 87
CIVILIAN	419,971	412,478	410,530
ACTIVE MIL	780,787	780,800	780,900
RESERVE MIL	732,032	761,146	790,400
ARNG	439,952	450,496	462,800
USAR	292,080	310,650	327,600

With extraordinary effort on the part of an outstanding recruiting force, we have been able to reach our enlisted accession targets in quantity and quality during 1985.

NPS ACCESSIONS BY AFQT CATEGORY

(PERCENT)

AFQT CAT	YOUTH POP	FISCAL YEAR 80	82	84	85	86 GOAL	USMC 85	USN 85	USAF 85
I–IIIA	50	26	53	63	62.9	59–63	55.1	65.1	70.1 *
IIIB	19	22	28	27	28.5		41.2	25.2	29.0 *
IV	21	52	19	10	8.6	‹10	3.7	9.7	0.9
HSDG	74	54	86	90.8	90.7	90	96.8	89.0	98.7

AS OF: 30 SEP 85 * AF I–IIIA/IIIB SPLIT IS ESTIMATED

NOTE: REFERENCE POPULATION CHANGED IN FY85

We know our achievement in recruiting would not have been possible without the continued support of Congress and the American people and intensive work by our recruiters. Our position in an extremely competitive recruiting market has been enhanced by educational incentives and cash bonuses.

Marketing research has identified two separate and distinct career goals for the Nation's high school graduates—work and college. A viable recruiting program demands appropriate incentives for each market. While the work oriented high school senior or graduate is attracted by bonuses, the educational incentives have better appeal to our college bound graduates.

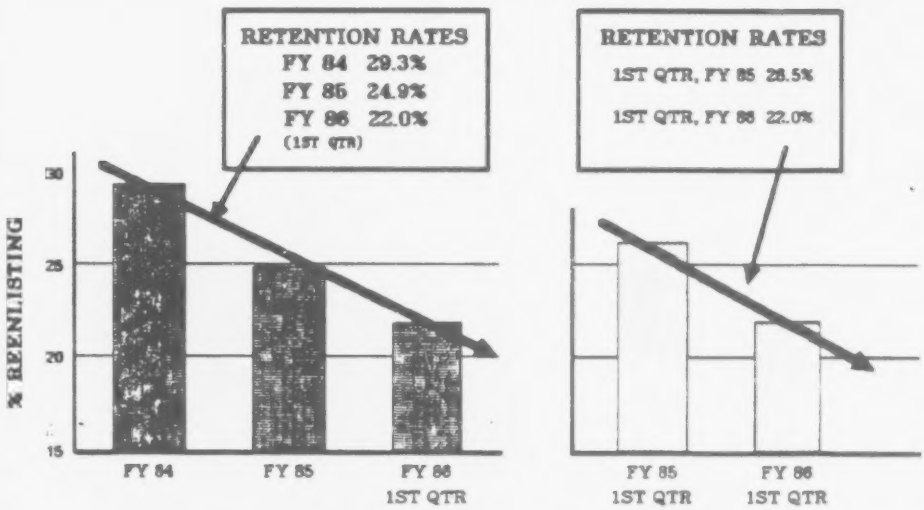
With the potential pool of American youth (17-19 years of age) declining during an ever-improving economy, we consider these incentives absolutely essential to recruit our share of America's quality young men and women. Regardless of the form of educational incentive, we must have one that targets our critical military skills in our active component and provides benefits for our Reserve Component soldiers.

Last year, we began an intense program aimed at better preparation and retention of these outstanding young soldiers. Our emphasis in this area has provided significant dividends as the 1st term attrition losses were reduced by almost 12,000. This brought a concomitant decrease to our recruiting mission, but more importantly, it brought more young Americans into the winners circle.

Our retention program continues to focus on reenlistment of quality soldiers. We see storm clouds gathering; however, if the current trend in pay comparability continues. In order to maintain an 8.3 percent shortfall compared to civilian pay raises, we consider our requested 4 percent pay increase in FY87 essential.

A disturbing trend in the continuation rate for retirement eligible soldiers became evident in 1985.

RETENTION RATES OF RETIREMENT ELIGIBLE SOLDIERS



DROP IN RATES PARTIALLY ATTRIBUTED TO ACTUAL AND PERCEIVED LOSSES IN PAY AND BENEFITS

To help us analyze this new dilemma, we conducted a survey to determine why retirement eligible soldiers were now reenlisting at a significantly lower rate than in the past years. Our results attribute some of the decline in our senior NCO leadership to how proposed retirement changes will affect them.

FALL FY 86 REENLISTMENT SURVEY

MOST IMPORTANT REASON FOR NOT STAYING IN THE ARMY BEYOND 20 YEARS

- AT 20TH YR MORE MARKETABLE IN CIVILIAN WORLD (28%)
- DESIRE PERMANENT RESIDENCE (16%)
- PROPOSED CHANGES TO RETIREMENT SYSTEM (14%)
- TIME TO DO SOMETHING ELSE (6%)

TOP FOUR RESPONSES SHOWN

These soldiers consider themselves an easy target for potential budget reduction. The irony in this case is that this group understands that it is "Grandfathered" and is reacting on their perception of what might happen in the future.

Our overall recommendation on retirement is to leave the current program unchanged. It has served us well. We project through our economic modeling that without a substantial offset, such as lump sum investment, increased reenlistment bonuses, or educational benefit transferability to family members, changes to the current system will have a negative impact on future recruiting and retention.

As a final point on the retirement system, the FY86 Authorization Bill directed the Department to submit legislation to achieve a $2.9 Billion savings by changing the military retirement system for new personnel. The Department submitted two alternative retirement system proposals, but legislation has not been enacted. In the meantime, service members are entering the service under the present retirement system which requires a restoration of the funds.

If Congress does not lift the cap on obligations, or change the retirement law, the Army would have to reduce its forces this fiscal year by 120,000 Active and 112,000 Reserve Component soldiers.

The Army faces a significant challenge in the alignment of Non-Commissioned Officers by grade and skill. Through improvements in our promotion, reenlistment and reclassification programs, we have made great strides this past year.

FORCE ALIGNMENT PLAN (FAP) I
FY 85–86

PROGRESS TO DATE
(MOS/GRADE LEVEL OF DETAIL)

SEP 83 MOS/GRADE CELLS OPERATING FILL

	BALANCED (95–105%)	TOTAL
E5	37	296
E6	38	265
E7	31	185
E8	21	77
E9	7	56
TOT	134	878
%	15%	

SEP 84 MOS/GRADE CELLS OPERATING FILL

	BALANCED (95–105%)	TOTAL
E5	59	312
E6	49	281
E7	37	199
E8	20	84
E9	11	59
TOT	176	935
%	19%	

SEP 85 MOS/GRADE CELLS OPERATING FILL

	BALANCED (95–105%)	TOTAL
E5	100	318
E6	92	287
E7	41	201
E8	11	84
E9	11	58
TOT	255	948
%	27%	

SIGNIFICANT PROGRESS IN BALANCING MOS

SOURCE: DAPC–45

We consider the resources in our selective reenlistment bonus program a key incentive in reducing shortages and improving alignment.

To reduce personnel turbulence caused by an individual replacement system and increase unit cohesion, we have continued the expansion of our New Manning System.

Our Regimental System provides soldiers an opportunity for affiliation with units they voluntarily select. The regiment provides the unit for career development and opportunity for homebasing. In 1985 we had 15 active combat arms regiments. Our plan calls for an additional 49 regiments during FY86.

Evaluated units of our combat arms COHORT program continue to reflect vastly improved cohesion and psychological readiness for war. This can be attributed to greater horizontal bonding between soldiers who begin training and remain together for their 3 year initial unit assignment. Commanders have more time to develop long range training strategies to meet higher performance standards than experienced previously with units manned through the individual replacement system. By the end of FY86 our goal is to have 70 companies and 22 battalions in the COHORT system.

As we exploit new technologies during our modernization period, we must ensure that the human capabilities of our soldiers are considered throughout the development process. Too often in the past we have assumed the human factor as a constant by simply ignoring their mental and physical frailties and cognitive workload requirements. As a result, systems have not always achieved the desired performance level, and either more manpower has been required or the soldier has required extra training.

Our new program to better integrate manpower, personnel and training issues with materiel development is called MANPRINT. Our MANPRINT goal is to cause the Army and industry to respond, day after day, to considerations of manpower, personnel, training, human factors engineering, health hazard assessment, and system safety throughout the materiel acquisition process. Our primary emphasis, however, is on front-end analysis. Our target is to identify people requirements early on to minimize costly product improvements down the road.

Never before in our history has the Army been blessed with so many opportunities and challenges. At such a juncture it is important for us to reexamine and rededicate ourselves to the core values which have been responsible for the many successes in our proud history. 1986 will be the Army Year of Values. Throughout the year our leaders will exercise intense effort to develop in their soldiers the fundamental national values which are embedded in selfless military service to this great United States of America.

The CHAIRMAN. Thank you.

Next we have Admiral Carlson.

STATEMENT OF VICE ADM. DUDLEY L. CARLSON, DEPUTY CHIEF OF NAVAL OPERATIONS FOR MANPOWER, PERSONNEL AND TRAINING, U.S. NAVY

Admiral CARLSON. Thank you very much, Mr. Chairman.

Mr. Chairman and members, I appreciate the opportunity to appear before this committee today. I would in my opening statement simply echo the general comments of my superiors who have preceded me, my service Secretary and service chief, in reporting the high readiness that this country enjoys in their naval forces today.

We are proud of that and we pridefully boast of it. But we also are quick to recognize that that readiness and that capability would not be with us were it not for the decisions that were made by this committee and the greater committee in authorizing the forces that are needed to maintain our access to the seas as the maritime nation we are and the requirement to meet our far-flung requirements as well as do the economic sort of backstopping we do in providing the open access to the sea and to the markets and the resources that are so vital to this Nation's vitality.

The decisions also of this committee also have been most important in authorizing the ships necessary to fulfill our missions. I would simply like to report to you quickly the sorts of forces that are going to be added to the fleet this year.

We are going to have joining us three *Ticonderoga* class guided missile cruisers. They are each crewed with 22 officers and 328 enlisted. We will have 5 *Los Angeles* class nuclear attack submarines joining our fleet. We have one *Ohio* class Trident SSBN coming online with her 30 officers and 300 enlisted making up the 2 crews; 340 officers and men to man the new amphibious lift ship; 2 new minesweepers will be joining the force.

We will be finishing manning the crew of the nuclear attack carrier *Roosevelt*, and we are adding 1,000 men to the new helicopter squadrons authorized by this committee. We will have 46 officers and 637 enlisted men to man our new F/A-18 fighter squadrons and, as well, we will be bringing people in to man the new ships and other aircraft which are being added to our fleet.

All this is very possible, as I say, only because of the decisions which have been made here. But the readiness and capability of these forces, of course, is made possible by the sailors who man these fighting ships.

For instance, we have from Washington Island, WI, Petty Officer Second Class David Foss, who has been in the Navy 5 years currently serving aboard the *Kansas City*, far from his home State of Wisconsin. He understands why he is there and what he is doing

there. He is not quite as successful in convincing his wife of that. She delivered their first child while the ship was deployed. Those are the sorts of expectations that they have and the sorts of responsibilities that we ask them to share in supporting the people as they man their ships.

We also have manning some of our ships people of the caliber of Chief Boatswains Mate R.L. Bate, from South Bend, IN. He has been in the service 23 years, and has served aboard six ships. He is also supported at home by a strong family.

An interesting point he made; he said:

> You know, in serving in Florida sometimes we are threatened by hurricanes. When a hurricane threatens, in a lot of places they go home to support the family and batten down the windows, and whatever. The Navy man gets aboard a ship and takes it to sea, out into the hurricane to avoid damage alongside the pier. He has to ask his family to take care of itself.

So I echo the comments of my Army contemporary here in supporting the need and recognition for the importance of our families and the support that we can render to them.

I stand ready for your questions.

[The statement of Admiral Carlson follows:]

PREPARED STATEMENT OF VICE ADM. DUDLEY L. CARLSON

Mr. Chairman and distinguished members of the Subcommittee

I am Vice Admiral Dudley Carlson, Deputy Chief of Naval Operations for Manpower, Personnel and Training, and the Chief of Naval Personnel. This is the first year I have had the opportunity to testify in support of the Navy Total Force Manpower Program, and I am looking forward to continuing the dialogue you established with my predecessor, Admiral Bill Lawrence, over the past two years.

My statement describes the Navy's manpower program for FY-87 in terms of its active military, reserve military, and civilian manpower components. It also depicts manpower, personnel and training initiatives and explains the changes from FY-86 to FY-87. Before I discuss the specific aspects of the FY-87 request, I would like to make some overall observations:

The Navy manpower program is based on the force structure required to accomplisn Navy missions within the scope of our national political and military strategy. The United States remains committed to building a 15-carrier battle group, 600-ship fleet that can execute the nation's military strategy. My job is to man these new ships and squadrons as they come on-line, and simultaneously to increase the personnel experience base in order to support a substantially larger and more technically complex Navy by the end of the decade.

Reduction to the FY-86 personnel request continues a trend which will ultimately lead to critical inventory shortfalls, an eroded base of petty officers, and readiness degradations similar to those of the 1970s. That exodus of talented personnel caused a breach in our mid-management and experienced ranks which we are only now closing.

People remain the key to readiness. They are the mainstay of

every aspect of our operations. Without the right number and caliber of people, even our most sophisticated equipment and weapon systems can be rendered ineffective. To get the most from our equipment and systems, we must get the manpower to match.

Once the manpower resources are authorized and funded, we have to attract and retain the quantity and quality of people we need. Our ability to do this depends on several factors, such as the public image of military service, the state of the economy, and the quality of life of military personnel and their families. The Navy has moved aggressively to influence those factors which are under our control. Because of the sea-intensive nature of our mission, the focus has been on lessening the hardships of sea duty. We have established firm standards for optempo reduction in a major effort to complement retention incentive programs you have approved. This initiative is only possible, given our world-wide commitments, because of a larger and qualitatively improved fleet. Additionally, we have sought to improve the appeal of Navy life by reducing burdensome administrative duties.

The Navy operates on the front lines of a global environment characterized by a continuum of potential conflicts and violence. As a consequence, the conditions of service for our Navy personnel are unique. High tempo, far-flung operations demand an exceptional degree of unit self-sufficiency and the support structure to maintain it. Navy's successful acomplishment of recent international missions bears testimony to this need. Sufficient numbers of properly trained and experienced people, in both at-sea and crucial fleet support shore billets, are essential to combat readiness and war fighting capability.

The FY-87 Manpower and Personnel portion of the Navy budget has been developed to ensure an appropriate balance between readiness levels required to support worldwide commitments within limited resources and an acute awareness of the need to reduce the size of the budget deficit.

STRUCTURING THE FORCE

Navy Total Force Management. The primary concern in setting the proper mix of Active, Reserve and Civilian forces is the maintenance of the level of readiness necessary to meet peacetime commitments and war plan requirements. Historically, our maritime strategy has been one of forward deployment. This strategy necessitates the continuous overseas presence of a significant portion of the fleet in peacetime and requires that our units be maintained in a high state of combat readiness. While many Army and Air Force units are required to forward deploy in strength only after mobilization, U.S. maritime strategy calls for a forward deployed combat ready fleet in peacetime. This basic distinction between the Services is fundamental to understanding the differences in policy with respect to Total Force mix.

Today's environment is one of expansion and change for both the active and reserve components of the Navy. Within this environment, the Navy's leadership is fully committed to supporting balanced growth and accommodating cost-effective changes.

Active Military Manpower

The Manpower strategy to support 600 ships was first reflected in the May 1981 Five Year Defense Program (FYDP). That plan called for achieving the bulk of the approximately 90 thousand billet growth by FY-86 for three principal reasons:

* To reduce the then existing 22 thousand shortfall of petty officers as quickly as possible

* To build the experience base needed for the expanded fleet at the end of the decade

* To take maximum advantage of existing economic conditions and demographic circumstances which favored recruiting and retention

Today, the total strength required to support 600 ships has

not changed. What is different is the rate at which we are attaining the growth, which has been constrained by pressures to reduce overall defense spending.

FIGURE 1

Active Military End Strength Growth

	PRES BUDGET	AUTHORIZED	DIFFERENCE
FY-83	569,200	560,300	-8,900
FY-84	572,200	564,800	-7,400
FY-85	575,300	571,300	-4,000
FY-86	586,300	581,300	-5,000

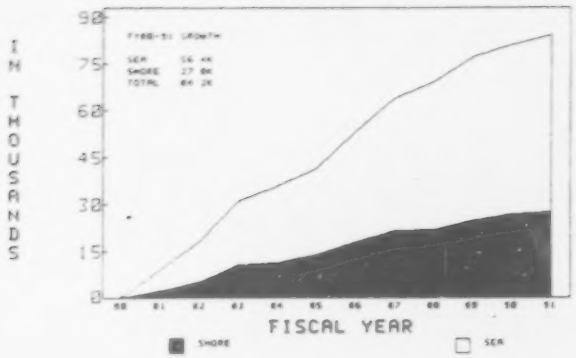
The high outlay rates associated with the military pay accounts have made personnel resource requirements particularly vulnerable to near-term budget reductions. As a result, we have before us more extensive recruiting requirements than originally planned that must now occur in the less favorable budget climate of the future. This "time late" in achieving required manpower growth represents an experience shortfall - fewer personnel acquiring skills now to provide senior technical leadership in the future. This smaller experience base places additional burdens on the personnel system to retain higher percentages of critically skilled personnel. Savings from previous strength reductions have translated to increases in special pay and bonuses to avoid the hemorrhage of career personnel, as occurred in FY-78 /9 and 80.

Navy's shore support structure is unique. In addition to its critical role in supporting and sustaining the operational forces of the Navy at sea, it serves as an integral part of the sea-shore rotation equation.

Over 50 percent of our personnel now spend more than four years on sea duty for every three years ashore. We presently have 18 ratings that spend five years at sea before rotating ashore.

FIGURE 2

MPN ENLISTED GROWTH
(CUMULATIVE)



Active Force growth in this decade is focused on teeth, not tail. Navy's combat-to-support ratio has improved since force expansion began. It was 1.60 in FY-80, is 1.82 today, and will be 1.87 in FY-90. The Navy today is a lean, efficient, operationally-oriented force and will be even more so by 1990.

Against this background, 90 percent of the FY-87 end strength growth (10,746) is programmed for strategic, tactical and mobility forces. An additional 3,173 billets, 53 percent of which will perform medical functions, will go to units with direct fleet support missions. Efficiencies in the training pipelines permit a decrease of 2,519 in the Individuals Account, yielding a net active military end strength increase of 11,400.

The decision to provide manpower was implicit in earlier hardware procurement decisions to reach the 600-ship Navy objective. Failure to provide the people at this juncture jeopardizes system effectiveness, introduces costly personnel inefficiencies and adversely affects combat readiness. We have already experienced the devastating readiness impact that occurs when affordability constraints translate into attainability problems. It can happen again.

Reserve Military Manpower. We have moved forward aggressively to integrate Naval Reserve Forces with Active Naval Forces where we could achieve potential cost savings without a degradation in readiness. The result has been a more effective total fighting force for a modest increase in funding.

Modernization of weapons systems and increased roles for the Naval Reserve particularly in the surface, medical and construction battalion (Seabee) communities, have translated into a 13 percent rise in mobilization requirements from FY-82 to FY-86. Rapid growth in Selected Reserve strength is bringing us closer to our goal of achieving Navy Manpower Mobilization System (NAMMOS) requirements by the end of FY-88.

Additions to the Naval Surface Reserve will bring total Naval Reserve ships to 43 in FY-87 and to more than 70 by the early 1990's. Of the 9,119 Selected Reserve growth requested for FY-87, over 4,000 are required to fill shipboard and supporting staff and shore billets.

You are already aware of the Defense-wide initiatives to strengthen in-theater combat medical support. Accordingly, Navy has programmed twenty-three field hospitals. Fifteen of these units will be manned by The Selected Reserve (SELRES), requiring approximately 17,000 SELRES billets. By drawing from the nation's practicing civilian doctors, nurses, and technical and support personnel, the Naval Reserve will avoid more costly and time-prohibitive alternatives. Reserve Seabee growth in FY-87 and beyond reflects the impact of Seabee support to field hospitals.

For FY-87, we need an increase of 12,492 in Total Selected Reserve average strength, including 3,561 additional full time support personnel. This growth is an integral part of our plan to meet the NAMMOS calculated requirements for Selected

Reservists by the end of FY-88 and to ensure these assets are properly trained. Reserve Force growth is illustrated below:

FIGURE 3

FY 87-91 Reserve Force End Strength

	FY-87	FY-88	FY-89	FY-90	FY-91
Paid Drilling Reservists (including training pipeline)	132,503	139,359	141,000	142,456	142,601
Active Duty Support (TARs and SECT. 265)	21,647	23,954	25,551	26,251	26,464
Temporary Active Duty (TEMAC)	1,550	1,587	1,674	1,677	1,677
End Strength Total	155,700	164,900	168,225	170,384	170,742
(Average Strength)	147,500	159,000	165,889	168,489	169,757

In 1983 the Sea and Air Mariner (SAM) program was developed to access 10,000 non-prior service reservists per year into the Selected Reserve to fill E1-E3 mobilization billet requirements. Recruiting goals were met in both FY-84 and FY-85. To meet Selected Reserve junior officer requirements, a parallel officer program (OSAM) was established in FY-85 to access college graduates into the officer corps. These officers will spend time on active duty before becoming drilling reservists.

In the past, TAR retention has been sufficient to maintain the force at required levels. Now, as we continue to expand our Naval Reserve and as the TAR program grows to support 26 Naval Reserve frigates and associated intermediate maintenance activities, the demand to fill highly technical, mission-essential ratings will increase as well. Not surprisingly, these ratings require skills which are aggressively sought after in the private sector. To promote our ability to man the active duty portion of the Naval Reserve Force, we have requested authority to pay a Selective Reenlistment Bonus (SRB) to a limited number of TAR personnel in critical ratings. Further, we are requesting authority for a modest

Unit Incentive Pay for Selected Reservists to allow Navy to provide an incentive to individuals affiliating with certain hard-to-man units in the Naval Reserve. This Unit Incentive Pay is designed specifically to increase manning levels and improve retention in Naval Reserve ships and is critical to our ability to continue the growth of Reserve strength to programmed levels.

The Individual Ready Reserve (IRR) comprises 27 percent of the total Naval Ready Reserve and represents over 70,000 mobilization assets. Efforts are underway to expand the potential for this category of experienced, pre-trained manpower. The introduction of a bonus program for selected IRR ratings, increased emphasis on training and extension of the military service obligation from six to eight years will add significantly to IRR growth and mobilization readiness.

Accomplishments in Total Force management are increasingly crucial to carrying out the maritime strategy. The Reserve already contributes to a majority of the Navy's total missions, and we have developed a system that ensures that we can wisely incorporate a growing Reserve into the total force.

Civilian Manpower. Navy's civilian manpower component continues to be an essential element in our Total Force Management Program. Most civilian employees are employed in activities directly related to our readiness posture. More than half work in industrial fund activities which perform depot level maintenance and repair of ships, planes, and associated equipment. Civilians employed at operation and maintenance activities such as supply centers, ship repair facilities, and Naval and Marine Corps aviation activities contribute directly to operational readiness. Civilians also provide essential support in functions such as training, medical facilities, and the engineering development and acquisition of weapons systems, which have a definite, although longer range, impact on readiness.

We intend to execute the Navy's expanding mission and scope of operations with an essentially stable level of civilian manpower in FY-86 and FY-87. Our estimates for both of these years are below the FY-86 civilian manning level approved in last year's budget. Within our FY-87 civilian manpower request of 318,377, the Navy has been able to provide for new program requirements by means of various management initiatives and through vigorous pursuit of manpower economies and efficiencies.

Management action to streamline organizations and program responsibilities, including the disestablishment of the Naval Material Command and the reorganization of the Naval Systems Command and Navy training organization, has contributed significantly to this effort. Further, major savings attributable to the Commercial Activities and Efficiency Review Programs have enhanced our ability to optimize the use of our limited overall manpower resources.

In FY-85 Navy completed Commercial Activities studies in conformance with OMB Circular A-76 on 2,500 civilian positions with total savings of some 1,400 positions, either through decisions to convert to more cost-effective contractor performance or through implementation of "most efficient organizations" for those functions which remained in-house. These savings have been incorporated in our estimates. We plan to study approximately 4,500 military and civilian positions each year in FY-86 and FY-87. In accordance with congressional direction, no adjustments have been made for anticipated contracting-out decisions.

The Navy also anticipates savings from implementation of the Efficiency Review Program in which in-house functions excluded from study under OMB Circular A-76 are being reviewed to develop the "most efficient organizations." We project savings of about 850 in FY-86 and an additional 1600 in FY-87 based on planned efficiency reviews.

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The end strength estimates for industrial fund activities incorporate further reductions in FY-86 and FY-87 associated with initiatives to improve efficiency and productivity in industrial fund operations. These savings will be achieved through improved scheduling to realize the most efficient working tempo, optimum use of overtime, reductions in overhead, and other measures.

Civilian staffing adjustments in FY-87 will allow the placement of civilians into numerous positions currently filled by military personnel, who can then be reassigned to more critical operational billets with a direct impact on readiness. Additional civilian positions will be dedicated to management and oversight of spares contracts, thus improving the integrity of our procurement operations. Civilians will be added to improve the physical security of our bases and stations. Other adjustments in industrial activities will ensure that work force and workload are in balance. Manpower levels for aircraft maintenance, ship repair/overhaul and Naval laboratories have been reduced to match workload, while more manpower will be needed to man additional ships in the Military Sealift Command. Among other adjustments are increases to oversee our growing military construction/facilities acquisition programs, expanded ordnance workload, and requirements for classified programs.

Other Manpower Management Initiatives

We can report progress in our continuing efforts to improve manpower, personnel and training management policies and practices to ensure that the methods by which we do business are supportive of our objective to improve force manpower management while keeping pace with force structure growth. Specific examples of progress made over the past year follow:

Manpower Requirements Determination. In order to improve the management of manpower resources and better quantify our needs,

the Navy Manpower Engineering Program (NAVMEP) was developed to coordinate all manpower requirements determination within the Navy. The best aspects of several manpower programs have been consolidated under NAVMEP; these include: the Ship and Squadron Manpower Document Programs; the Efficiency Review (ER) Program; the streamlined Shore Manpower Document Program (SHMD); and the Commercial Activities (CA) Program. The major impact of NAVMEP will be in the development of manpower efficiencies in shore activities. NAVMEP achieved the goal of 100% shore requirements coverage in December 1985 using various industrial engineering techniques such as staffing standards, manpower estimating models, efficiency review studies and industrial engineering surveys. We are now employing more rigorous and iterative techniques, to refine our requirements baseline by incorporating efficiencies, thereby increasing productivity and readiness. NAVMEP will relate these refined manpower requirements and funded authorizations to funded programs, while continuing to identify more efficient methods of organization and manpower utilization.

Training Management. The focus of the Navy's training management system has graduated in scope in the past four years to emphasize both front-end analysis of training requirements and overall performance. The Fleet Training Assessment Program monitors the effectiveness of our training programs, and increased emphasis has been placed on ensuring the training community can accommodate existing and future requirements while conserving training resources. The reorganization of the Office of the Chief of Naval Education and Training (CNET) was a significant change in support of this effort. Internal CNET directorates and staff were reduced by one-half, bringing the organization more in line with current functional management requirements. We have taken great strides in developing a Navy training strategy that supports the types of operations we envisage in our maritime strategy. Some areas that were clearly deficient, such as reserve training, physical security, anti-terrorist training, and

battle group tactical training, were specifically strengthened last fiscal year.

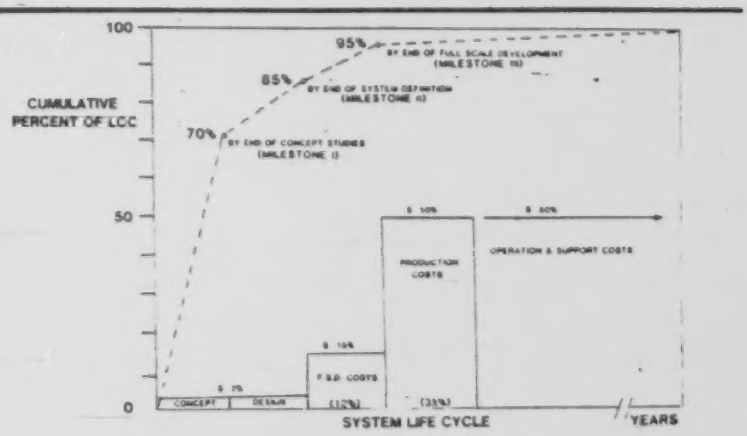
HARDMAN Program. Perhaps the most significant progress made in our ability to manage and control manpower and training requirements growth rests with the Hardware-Manpower Integration (HARDMAN) Program.

Manpower, personnel and training (MPT) costs account for more than one-third of the total life cycle costs of weapon systems acquisitions. As noted in Figure 4, the opportunities to meaningfully reduce life cycle costs occur early in system development.

FIGURE 4

LIFE CYCLE COSTING IN SYSTEM ACQUISITION

EARLY DECISIONS DETERMINE LCC



We have developed the capability to make hardware-manpower trade-offs and to identify resultant manpower, personnel and training requirements commencing at the earliest stages of system development. The Navy HARDMAN Program will enable MPT affordability and supportability to be assessed before acquisition development and procurement decisions are made. Commencing this fiscal year, the rigors of HARDMAN analyses will be applied to all new starts in all acquisition categories. Full consideration of MPT implications of proposed acquisition programs, individually and in the

aggregate, will contribute measurably to our ability to sustain personnel readiness over the long term.

Materiel Professional Program. This past year we instituted the Materiel Professional (MP) program, a new officer career path, to carry forward the results we have achieved in the management of our national defense resources. We have achieved a reduction of waste in naval shipbuilding, delivery of equipment ahead of schedule and under budget, and a 60 percent increase in contracts awarded competitively. The Navy "blue suiter" is absolutely essential to Navy's materiel management, providing both continuity and an operational perspective. This new career path is developing the same level of professionalism in materiel management that we have in warfighting.

Representative of the importance of the MP program and the quality of MP officers themselves, the MP community now includes one admiral (the Vice Chief of Naval Operations), six vice admirals, and 61 rear admirals, as well as 771 captains and over 70 senior commanders directly responsible for the management of the materiel processes. We are selecting the highest quality officer, with training and experience to get the job done right. Once selected, these officers are dedicating themselves solely to the function of materiel management. Today, we have over 900 Materiel Professionals who have the credentials, dedication and talent to ensure past successes are continued and further improvements are made.

Research and Development. The human element of combat makes up a significant portion of our overall fighting capability. We must always guarantee the people component of combat effectiveness remains strong. Modernization of training and optimal utilization of our people can be accomplished through a strong Research and Development (R&D) program. We have developed a new MPT research and development program structure and master plan designed to provide Navy guidance to our performing scientists. The

R&D Master Plan will provide more productive use of R&D products by strengthening the link between resource sponsors, eventual product users, and laboratory scientists. We are optimistic that this approach will facilitate the successful transition of R&D products from the laboratory to the field. Although personnel and training costs account for a significant portion of our total Defense expenditures, Navy MPT R&D accounts for less than one-half of one percent of the total Navy RDT&E appropriation. We need your support in the Congress to maintain these small but vital R&D resources at currently programmed levels.

Information Management. There are solid examples of productivity increases and savings as a result of innovations in information management. Improvement in the timeliness of data transfer through better data interfaces has reduced non-productive time spent awaiting orders. Also our capability to provide pay, personnel, and training information among fleet, shore stations, and headquarters is greatly enhanced through the MPT field systems, such as the Source Data System (SDS) and Navy Civilian Personnel Data System (NCPDS). The implementation of SDS will result in greater efficiencies in the management of the Military Personnel, Navy appropriation. Not directly measurable, but nonetheless of tremendous value, is the morale of our Navy people. People are our most valuable, as well as expensive, resource and their morale is impacted by the quality and timeliness of information which affects them directly (e.g. pay, promotion and duty assignments). Effective management, through information systems, like the Total Force Manpower Management System (TFMMS) and the Manpower Claimant Access Support System (MANCLA3S), will have a positive effect on their welfare and influences career decision-making.

Flag Officer Management. Although the Defense Officer Personnel Management Act established key management elements for flag officers, comprehensive flag officer management guidelines do not exist. We again solicit congressional support for the DoD legislative proposal to establish a new framework for the management of

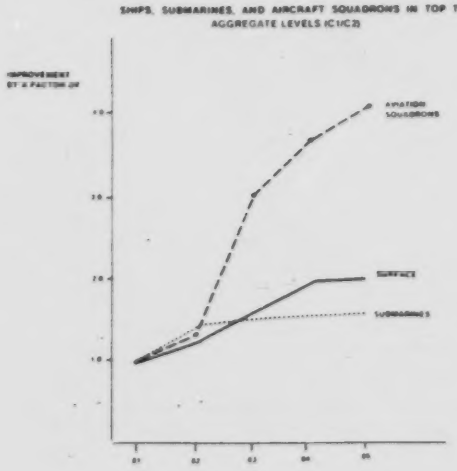
flag and general officers. The comprehensive flag officer proposal submitted to this and the previous two sessions of Congress, will provide Navy the necessary flexibility in meeting the critical demands of an expanding and more technical naval force without the annual requirement of petitioning Congress for three-star grade relief. It provides the structure and accountability required for effective congressional oversight, and the flexibility necessary to optimize senior military management resources. The legislation is the foundation of an effective long-term flag officer management system. It establishes stability, predictability, and the versatility to respond to changing end strengths. The increased flexibility inherent in the system will enhance Navy's ability to meet its joint arena and external DoD requirements without detracting from the operating forces.

POPULATING THE STRUCTURE - PERSONNEL READINESS

Readiness. I am extremely pleased with the improvements in operational readiness levels since 1981. By any credible standard of measurement, fleet readiness is up dramatically. One way to look at this is to aggregate selected logistic support inputs

FIGURE 5

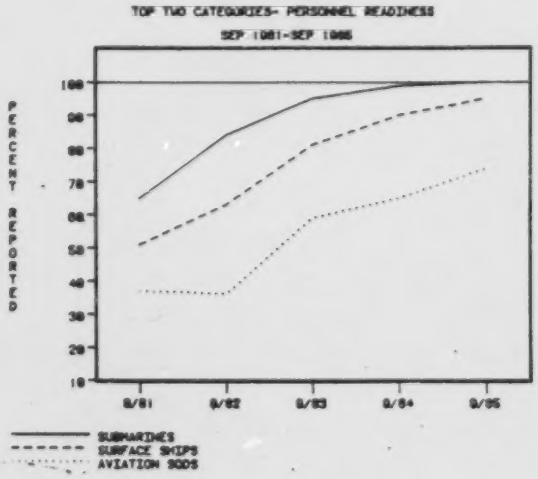
IMPROVEMENTS IN LOGISTIC SUPPORT READINESS



-- personnel, equipment, supply support, and training levels -- across mission areas which a ship or unit must perform, such as anti-air warfare or anti-submarine warfare. As Figure 5 shows, the number of aircraft squadrons at the highest two levels of operational readiness has tripled, and the number of ships has doubled. This accomplishment is particularly striking when compared to pre-1981 negative trends. I believe that we are approaching the achievable limits of unit readiness, which we must now sustain over the long term.

Personnel Readiness. While each of the functional components of overall readiness has shown marked improvements, personnel readiness has been the most noticeable growth area. Since 1981, we have almost doubled the number of ships in the highest two classifications of personnel readiness. This is a qualitative and quantitative measure which gauges not only the number of sailors aboard a ship, but also their skills and experience. Over the past five years, our career enlisted force experience level has risen over 38 percent. In FY-85, 90 percent of the aggregate of ships, submarines and squadrons were manned by crews composed of the quantity and quality of sailors required to properly operate the ship to its warfighting limits. Figure 6

FIGURE 6

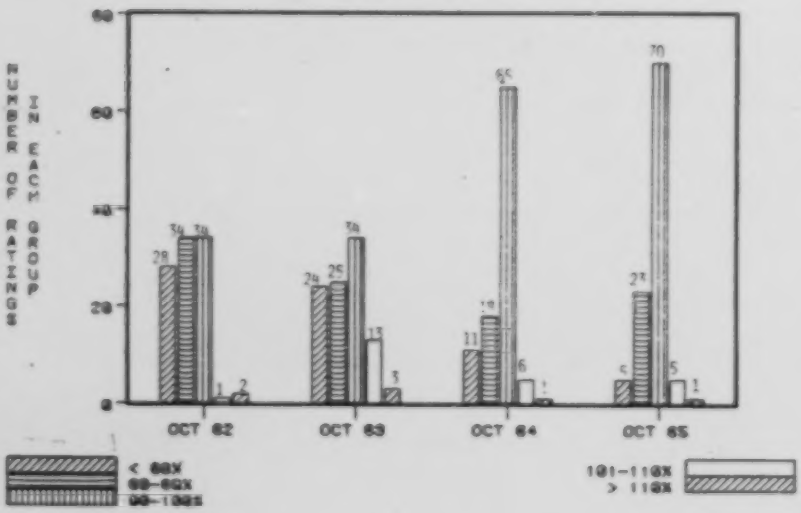


shows the average personnel readiness for FY-81 through FY-85. The number of ships reporting in the two highest categories of personnel readiness in FY-85 increased to 95 percent from 90 percent in FY-84, and up from 51 percent in FY-81. No submarines have had a personnel readiness level lower than the top category in almost two years. The personnel readiness in our aviation squadrons has also shown a steady improvement. For FY-85 the average number of squadrons reporting in the top two categories has increased to 74 percent from 65 percent in FY-84, and from 37 percent in FY-81.

Solving Skill Mismatches. As our experience levels and petty officer inventories have increased, we have been able to focus more management attention on balancing inventories. Specifically, this has meant ensuring that we were not recovering from our deficits in the aggregate by creating over-manning in some skill areas while shortfalls in other skills continued. By careful monitoring of our advancement, skill entry, and reenlistment policies, we have corrected imbalances as noted below. Our remaining challenge is to increase our inventories in the undermanned ratings.

FIGURE 7

RATING MANAGEMENT EFFICIENCIES



I want to emphasize the important interrelationship of personnel readiness to all other components of readiness. Because our crews are more experienced, our training levels remain consistently high and our ability to maintain our equipment has improved dramatically. This improvement in personnel readiness is unquestionably the driving force behind markedly improved overall readiness. Obviously, this progress could not have been made with the help of only one annual appropriation. It has taken consecutive years of successful recruiting, training, and retention to arrive at acceptable personnel readiness levels. It will take continued support over the long term to sustain them.

FIGURE 8

ONE-NAVY ENLISTED RECRUITING
QUANTITATIVE RESULTS (1)

	FY77	FY78	FY79	FY80 (2)	FY81	FY82	FY83	FY84	FY85
GOAL	116,314	94,735	93,300	99,299	106,238	94,793	84,798	82,907	87,592
ATTAINED	111,557	89,089	88,345	99,351	106,322	94,793	84,798	82,907	87,592
% ATTAINED	95.9	94.0	94.6	100.1	100.1	100.0	100.0	100.0	100.0

QUALITATIVE RESULTS (3)

	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85
HSG (4)	78.6%	83.3%	84.0%	83.6%	87.3%	89.9%	96.0%	96.5%	94.0%
HSDG	72.8%	77.1%	77.4%	74.8%	75.8%	78.7%	91.1%	93.0%	89.0%
MGI-IIIU (5)	72.2%	74.8%	71.9%	75.6%	64.5%	65.8%	70.1%	69.7%	65.1%

NOTES:

(1) INCLUDES ALL PRIOR SERVICE AND NON PRIOR SERVICE ACTIVE DUTY MALE AND FEMALE ACCESSIONS.

(2) REVISED RECRUITING POLICY IMPLEMENTED. NON PRIOR SERVICE MALE ACCESSIONS TO BE 74% MENTAL GROUP I, II AND IIIU VICE 76% HSDG.

(3) QUALITATIVE RESULTS ARE PERCENTS OF NON PRIOR SERVICE ACTIVE DUTY ACCESSIONS.

(4) HIGH SCHOOL GRADUATESD (HSG) INCLUDE DIPLOMA GRADUATES (HSDG) AND THOSE PERSONNEL WHO VALIDATE A HIGH SCHOOL EDUCATION AS A RESULT OF TESTING OR HAVE COMPLETED AN ACCREDITED HOME STUDY COURSE.

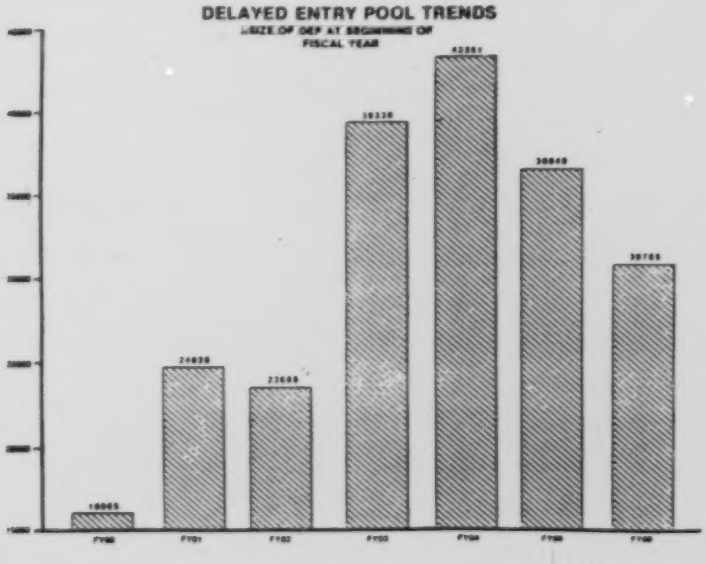
(5) FY-81 AND LATER FIGURES REFLECT RENORMED ASVAB DATE.

Recruiting. As predicted in last year's report, we attained sufficient recruit numbers to meet goal, but these numbers were of lesser quality overall than in the previous year. In the specific accession area of the 73,000 non-prior service males who joined the Navy in FY-85, 64.8 percent were classified in the Upper Mental Groups (UMG) on the Armed Service Vocational

Aptitude Battery (ASVAB), and 88 percent were high school diploma graduates. This equates to a decline of 4.3 percent in UMGs and 4 percent in high school diploma graduates (HSDGs) from our FY-84 attainment. This moderating trend in quality attainment continues to be reflected in the statistical results for the first quarter of FY-86.

A primary bellwether of recruiting trends is the Delayed Entry Pool (DEP), the group of recruits who have agreed to enter the Navy at a later date. This pool, composed largely of high quality applicants, provides a recruiting buffer, serves as a management tool to optimize the loading of training facilities, and provides sailors who historically have the highest potential for success in the Navy. Annual changes in the DEP, therefore, have wide-ranging impacts. Since the total contracts written last year were again fewer than accession needs, the Navy was forced to draw from the Delayed Entry Pool to achieve the required quantity. The DEP decreased by 5,884 applicants in just one year, as shown in Figure 9. This continual drawdown of the

FIGURE 9



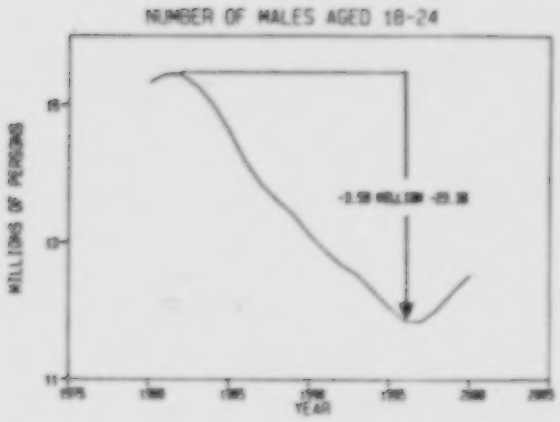
Delayed Entry Pool is not only a significant indicator of an already more difficult recruiting environment, but also indicates potential problems in the quality level of future accessions. The DEP is not simply an undifferentiated pool from which to draw in difficult recruiting months but is key to our ability to recruit highly qualified accessions over the long haul and program them into technical training at the appropriate rates.

The total number of non-prior service male accessions required in FY-87 will be about 4 percent higher than FY-86, due to end strength growth and a slight downward trend in retention. Quality attainment will decrease but will remain at or above the minimum requirements to meet our training needs and maintain a quality of force.

We are concerned that trends are down and long-term demographic indicators portend a worsening recruiting environment. Since 1981 the population of young men from which we traditionally recruit has declined by 5.4 percent, and it will decline by another 17.9 percent before it bottoms out in 1996. Therefore, we must recruit an increasingly higher percentage of the diminishing youth population. But recent surveys show that this group's positive propensity to join the Navy is declining. Many of the causes of this decline are not within our control, but at least two are: advertising programs and recruiting manpower. To continue to meet recruiting goals we must ensure adequate resources for these two key areas.

As stated last year, our success has been notable, but the recruiting market has changed for the worse and shows no prospect of improvement in the foreseeable future. The three most important factors influencing recruiting production are all decidely negative. Unemployment is low and going lower, the recruitable population is shrinking, and competition from the private sector, as measured by the military-civilian pay ratio, is increasing. We will successfully achieve accession goals for

FIGURE 10



this year, but the production of Delayed Entry Program contracts will not meet the targets set to support entry into FY-87. Despite initiation of the strongest possible management actions to squeeze maximum performance from every dollar, the goal of accessing the required number of recruits of appropriate quality in FY-87 is in doubt. Quality is defined as adequate to meet our school requirements. The FY-87 budget request will provide the resources to meet minimum required quality, not maximum desired.

Enlisted Retention. One of our greatest achievements and continuing challenges has been retaining the quality personnel needed to man the 600-ship Navy. As shown in figure 10, we have continued to do well but did not achieve the high retention rates of FY-84.

Figure 11

ENLISTED RETENTION RATES

	FY-82 Actual	FY-83 Actual	FY-84 Actual	FY-85 Plan	FY-85 Actual	FY-86 Plan
1st Term	50.3%	55.7%	58.0%	57.5%	54.6%	55.5%
2nd Term	63.0%	65.4%	64.4%	66.0%	63.9%	64.7%
3rd Term	95.3%	96.6%	94.9%	95.0%	93.4%	94.3%

It is useful to reflect on the recent past in order to provide perspective to our current circumstance. In 1980 we were caught in a downward retention spiral. Inadequate pay had, over time, produced cumulative recruiting and retention shortfalls, which in turn led to unavoidable ship and squadron manning problems. To compensate, we had to increase sea tours and supervisory workload, which further aggravated the retention problem. It is not surprising that large numbers of our people opted for higher paying and less demanding opportunities in the civilian sector. For the past few years we have benefited from the reverse of this spiraling effect. As our inventories increased, we stabilized sea/shore rotation and were able to provide a more reasonable working environment in our ships and squadrons. The point we would make about this cyclical nature of retention is that we must be extremely sensitive to any change in the trend we have experienced for the past few years. As we have learned, it is extremely difficult, and expensive, to stem a downward spiral, and to recover from the most damaging effect of all - decreased combat readiness.

Economic recovery and concurrent improvements in civilian employment opportunity have increased the competitiveness of the market place. Competitive compensation, retirement system stability, selective reenlistment bonus funding, continued education opportunities, quality of life issues, and other benefits will be major determinants shaping the retention decisions of our service members and molding the overall retention climate for the rest of this decade.

Retention and the Selective Reenlistment Bonus (SRB) Program. The Selective Reenlistment Bonus (SRB) program continues to be central to our successful retention program. It is the key element in reducing manning shortfalls in those critical skills most in demand in the civilian sector. SRB also promotes

long-term rating stability by encouraging longer enlistments (5.14 vice 3.89 years average length first term enlistment). In addition, every dollar invested in SRB saves approximately $2.50 in training and replacement costs and prevents the loss of an experience base that cannot be replaced quickly at any price. Because of the importance we attach to SRB, it was particularly gratifying to see a recent GAO report confirm that the Navy is managing its SRB program well. We concur with GAO's observation that the program could be even more cost-effective if congress were to approve a return to the lump-sum method of payment for SRB. The authority granted in the first session of this Congress to raise up-front payment from 50 percent to 75 percent was an important step in the right direction.

Bonus Program Authority. The two primary compensation incentives to attract and retain high quality personnel are the Enlistment and Selective Reenlistment Bonus programs. Since the present bonus programs were authorized, the laws have been extended for short periods in order to evaluate the merits and cost-effectiveness of paying the bonuses. However, repetitive short-term extensions create uncertainty that seriously hampers the ability of individuals to make their career decisions and of the Services to plan their long-range recruiting and reenlistment programs with any assurance that the authority will continue. We, therefore, fully support the DoD initiative to make these bonus authorities permanent. Congressional control can continue to be exercised through the annual authorization and appropriation processes.

Career Sea Pay has been a crucial factor in keeping experienced personnel at sea. Currently the three principal determinants of sea pay are pay grade, cumulative sea duty and consecutive time at sea. The present sea pay structure discourages personnel in sea-intensive, mission-critical skills, such as combat systems technicians and conventional and nuclear power-trained

engineering personnel, from returning to lengthy sea duty tours after a brief shore duty break. We are now investigating ways to reallocate existing sea pay dollars to place more emphasis on the cumulative sea duty element of the sea pay equation.

Officer Retention. FY-85 reflected a decrease in the positive retention climate of 1983/4. Retention decreased from FY-84 levels in the surface, nuclear surface, pilot and NFO communities. Projected FY-86 retention indicates a drop for nuclear surface, pilot, nuclear submarine and General Unrestricted Line communities. The challenge to retain mid-grade officers has intensified as industry competes for proven, talented officers in a steadily improving economy. Efforts to obtain compensation parity with civilian industry and enhance the quality of Navy life must continue in order to regain a positive officer retention climate.

Figure 12

UNRESTRICTED LINE OFFICER RETENTION RATES

	FY-82	FY-83	FY-84	FY-85	PROJ FY-86
Surface	43%	45%	50%	47%	47%
NUC SURF	21%	45%	42%	39%	39%
Pilot	49%	58%	56%	53%	48%
NFO	73%	74%	81%	73%	74%
NUC SUB	39%	46%	47%	48%	48%
GEN URL	44%	60%	59%	64%	63%

Pilot Shortages. One of the two most serious skilled officer manning problems is our inability to retain sufficient numbers of mid-grade experienced pilots. This shortage is now in excess of 1100 pilots with resignation activity continuing at very high rates. We lost 520 pilots in FY-85 due to resignations and are anticipating the loss of 550 in FY-86. This ominous trend is expected to continue through 1990 as the airlines further expand and replace retiring pilots. Future Airline Professionals of America (FAPA) states that 7904 (almost 2000 higher than was

predicted 12 months ago) new pilots were hired in the past 12 months, and they forecast at least 6000 pilot hires in FY-86. The improving economy, mentioned previously, affords several alternative employment opportunities in lieu of Naval service and further compounds the problem.

Figure 13

AIRLINE HIRING TRENDS

FY	HIRES	EX-MIL	% MIL
1980	837	695	83%
1981	1330	944	71%
1982	843	590	70%
1983	2186	1301	60%
1984	5137	2054	40%
1985	7904	3700	47%

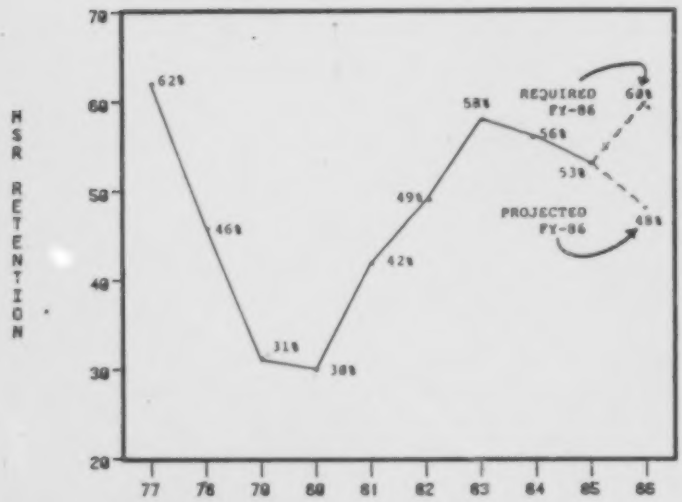
These LT and LCDR shortages are of major concern in the carrier aviation communities and are approaching serious proportions throughout our land-based communities. Thus far we have been able to manage this shortage through efficient distribution practices, but not without adverse impacts on other naval and career needs. Currently most pilots going to shore duty are assigned to the Training Command or Fleet Replacement Squadrons in order to train adequate numbers of new pilots. The pilots who do not resign during this initial shore duty tour are subsequently detailed to sea duty flying billets. While this may appear as a cost-effective utilization of assets, it is disruptive to the officer's career needs, increases the propensity to resign in that initial shore tour and prevents us from using the pilot to fill other billets requiring aviation-experienced officers. Should this present resignation activity continue, as we anticipate, it will be difficult to meet minimum out-year cockpit-specific pilot requirements. Fleet readiness will be adversely impacted as we continually adjust to this growing pilot shortage.

We have actively pursued other management avenues which may

help alleviate the present trend and help stabilize the out-year impact of continued low retention. We are increasing the utilization of the Selectively Retained Graduate Program (SERGRAD), where a pilot serves as an instructor for approximately 24 months immediately after he is so designated. Consideration is being given to increasing our accession source through the Naval Aviation Cadet (NAVCAD) program. This program qualifies candidates with two years of college for flight training and an eventual commission. Additionally, we have sought to improve the appeal of Naval service by reducing our operating tempo, stabilizing carrier deployments, increasing in-port time, improving liberty and reducing burdensome administrative duties.

FIGURE 14

HISTORICAL PILOT RETENTION (MSR)



MSR - Minimum Service Requirement

The only remaining area which will have an immediate positive impact, and one over which the Navy has no control, is compensation. The quantum improvement in pilot retention realized in FY-83 (58 percent from 49 percent in FY-82), moderated slightly in FY-84 (56 percent) and continues downward

through FY-85 (53 percent) and FY-86 (projected 48 percent). This drop is attributed, not only to airline industry hiring, but also the erosion in value since 1981 of Aviation Officer Continuation Pay (AOCP) and Aviation Career Incentive Pay (ACIP).

Inflation, concomitant ACIP reduction, and Hazardous Duty Incentive Pay (HDIP) restrictions have diluted the monetary incentive for 4 or 6 years of additional service, and the AOCP acceptance rate has steadily decreased from the 85 percent rate enjoyed in FY-81/82, to 55 percent in FY-84 and 39 percent in FY-85.

FIGURE 15

FY-84/85 AOCP ACCEPTANCE DATA

	FY-84			FY-85		
	Elig	Accpt	Rate	Elig	Accpt	Rate
PILOT	1285	644	50%	508	180	35%
NFO	520	347	66%	231	108	47%
TOTAL	1814	991	55%	739	288	39%

Legislative changes and improvements to AOCP to restore the effectiveness of this previously highly successful retention bonus are under consideration.

Retention of experienced aviators has contributed to the record low aviation mishap rate Navy experienced in FY-84. The savings realized by preventing the loss of just one fleet aircraft offsets AOCP program costs for two years. It makes further economic good sense to pay our aviators a little more to stay in now rather than spending one million dollars to train each replacement later.

Nuclear Officer Shortages. Our other most serious officer manning problem is the continued shortage of experienced nuclear qualified officers (lieutenant commander through captain). These

officers are required to serve as "at sea" department heads, executive officers, and commanding officers; and for key shore billets directly supporting fleet readiness and nuclear propulsion plant safety. We anticipate that enhancements to Nuclear Officer Incentive Pay (NOIP) contained in the FY-86 Defense Authorization Act will reduce this shortage from 21 percent in FY-86 to 11 percent by FY-90.

In the interim, current shortages require the nuclear trained officer community to assign some exceptional lieutenants to engineering billets normally filled by lieutenant commanders. Thus, a continuation of the authority to temporarily (SPOT) promote these officers to lieutenant commander is necessary to ensure that these critical billets are adequately filled.

Retention and Compensation. There are three major compensation issues which affect retention throughout the Navy - continued caps on military pay, recent changes in the retirement account, and the proposed change to the tax-exempt status of housing allowances.

Due to the pay caps over the last four years, military pay now lags private sector pay levels by 8.3 percent, as measured by the Employment Cost Index. If we are to avoid widening that gap, and if we are to avoid the potential retention and recruiting degradation that would probably result from this pay comparability gap, the FY-87 pay raise must at least match the projected private sector wage growth of 4.0 percent. Another pay cap in FY-87 will only increase the disparity between military and private sector wage levels.

Funding for military retirement costs was reduced by 16 percent in FY-86 in anticipation of enactment of legislation to change the Military Retirement System. Our analyses predict that this structural change in the retirement system, which is a keystone in our total compensation package, will result in a

reduced quality and number of people who remain in the military for a career. We, therefore, strongly support enacting a mechanism which would avoid the career force losses caused by reductions in retainer/retired pay by taking advantage of the fact that people will usually accept a given amount of income today in lieu of a larger stream of benefits in the distant future. This concept could be tested by allowing "grandfathered" personnel to elect either the new or old retirement system. However, regardless of the specific solution, we must counterbalance the career force impact of the military retirement reduction or risk a military manpower crisis which could seriously affect the readiness posture of our armed forces.

The third issue is an existing IRS Ruling which will effectively tax the presently non-taxable housing allowances of military personnel who live in homes they own, commencing with the 1987 tax year. Such an action would be contrary to the spirit and letter of congressional military compensation laws dating from 1965, which incorporate income tax advantages as a part of military pay levels. The result of adopting the IRS tax policy will be that about 300,000 military homeowners will suffer a four to seven percent pay cut due to the elimination of mortgage interest deductions. While permanent relief has been included in the House Tax Reform Bill, many hurdles must be crossed on the path to enactment. The specter of this ruling has hung over service families for over three years. We urge the Congress to come to grips with the issue this year. Non-taxable allowances are an integral part of the total compensation package and cannot be altered without consideration of the impact on total compensation and retention.

Women In The Navy. During the past five years, women in the Navy have increased in both numbers and job diversity. The numerical increases are illustrated below:

FIGURE 16

WOMEN END STRENGTH

	FY-80	FY-85	FY-86*
Enlisted End Strength	29,806	45,328	45,800
% of all enlisted	6.5%	8.9%	9.0%
Officer End Strength	4,877	6,958	7,075
% of all officers	7.7%	9.7%	9.8%

* End FY-86 Projection

The Women in Ships program has continued to grow with a projected total of about 200 officers on 34 ships and about 5,200 enlisted women on 36 ships by the end of this fiscal year. This reflects an increase over FY-80 of approximately 4,500 women serving in permanent shipboard assignments.

As the Navy's cadre of enlisted women in aviation specialties increases, more women are being assigned to sea duty billets in squadrons where women may be permanently assigned. For example, all operational VP squadrons now have women assigned in ground support and maintenance billets.

Navy's commitment to increased utilization of women plays an important part in our ability to man the 600 ship Navy but has created a problem unique to Navy which constrains our ability to expand the opportunities for women to participate in the seagoing Navy. The increasing number of women in the Navy has led, not unexpectedly, to a marked increase in the number of marriages between service members. Navy couples in paygrades below E-7 are statutorily denied a housing allowance to establish or maintain a private, off-ship residence solely by virtue of their assignment to any ship, regardless of mission, operational tempo or location. It is ludicrous to expect husband and wife to live on their respective ships in their homeport. We need your help to modify the law governing quarters allowances to give Navy couples on sea duty the same rights to a private residence available to other military couples in DOD.

Equal Opportunity. We are committed to achieving an Equal Opportunity (EO) climate that provides fair and equal treatment for all people in the Total Force regardless of race, color, creed, sex, or national origin. This is essential in attaining and maintaining a high state of morale, discipline and military effectiveness. We have taken positive steps through education and training to promote understanding of the various cultural and ethnic differences within the Navy to aid in achieving this climate. Recently, I have implemented Command Managed Equal Opportunity (CMEO). This program emphasizes the Commanding Officer's responsibility for creating and maintaining a positive EO climate. It underscores the chain of command's responsibility for identifying and resolving EO issues. It enables commands to monitor EO issues and address them internally. It also assures that EO is a reality at each command. Total commitment, starting at the command level, is the key to success.

Attrition/Desertion. Improved recruiting and retention rates have enabled us to improve the quality of the force by separating personnel whose professional or personal performance does not contribute to command readiness. Nonetheless, first term attrition numbers have declined over the past four years, decreasing in FY-85 to 11.3 percent from the 11.9 percent level of FY-84. Project Upgrade '85, a program to discharge marginal performers, discharged 45 percent fewer personnel than Project Upgrade '84 (441 vs 811). The steady decline in the number of substandard performers provides another indication of the improved overall quality of the Force.

The desertion rate continued to decline in FY-85 for the eighth consecutive year. The FY-85 rate of 10.1 per 1000 is the lowest the Navy has experienced since 1972.

The unauthorized absence (UA) rate also continued to improve with FY-85 being the sixth consecutive year in which the rate

declined. The FY-85 UA rate of 32.7 per 1000 was the lowest in the Navy since 1973.

These positive trends reflect the high quality of personnel in today's Navy. Looking ahead to FY-87, attrition/desertion/unauthorized absence rates may rise slightly as the quality of accessions declines due to the improving economy and increased competition from industry and educational institutions for the high quality youths in the smaller recruitable population.

Drug and Alcohol Abuse. A policy of "zero tolerance" coupled with state-of-the-art procedures for detection and deterrence have proven to be highly effective weapons in winning the "War on Drugs." Our efforts to improve the quality of life of our sailors by providing a higher quality and greater variety of programs have contributed to personnel readiness through improved morale and fitness. Additionally, our recreation programs provide wholesome activities as alternatives to drug and alcohol abuse, and they promote physical fitness. Our aggressive, tough, but fair approach to alcohol and drug abuse has shown concrete results. Since 1980, when 48 percent of our E1-E5 population were found to be using marijuana, there has been a steady and significant decline in drug usage. Today, we use the most sophisticated testing system available and less than 3.0 percent of urinalysis tests being conducted Navy-wide are confirmed positive. Urinalysis testing of civilian employees performing critical functions is also planned, and new initiatives to detect other drugs (e.g. LSD) are being aggressively pursued. As we eliminate the drug culture from the Navy, our standards for retention are getting higher. Rehabilitation for drug dependency is now being offered only to those petty officers who exhibit exceptional potential and desire further service. As a result of this new policy, two treatment facilities in the San Diego area have been combined into one. We are also consolidating Counseling and Assistance Centers (CAACs) and Navy Alcohol and Drug Safety Action Program (NADSAP) facilities where feasible.

am gratified that, as our success continues, we have been able to shift the Navy's focus and a half million dollars from treatment programs to prevention and education.

The readiness statistics indicate our string of successes in personnel matters. The accession and retention of adequate numbers of high quality people has produced a winning atmosphere aboard our ships and squadrons and makes me confident when I assert that these ships truly are "war ready." Personnel improvements are universally recognized as the most dramatic accomplishment of the last five years. We must now sustain these achievements.

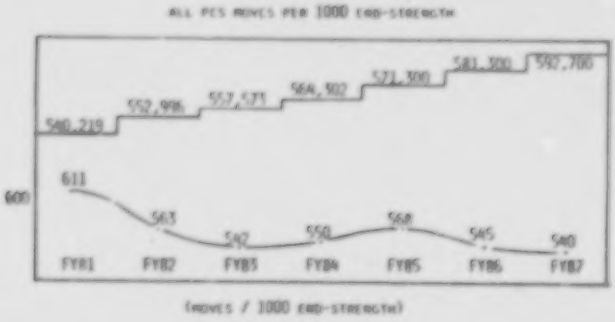
Corrections System Management. A new three level brig concept has been approved for short-, medium- and long-term prisoners. Waterfront brigs will be co-located with correctional custody operations and provide intensive return-to-duty programs for short term (less than 30 days) prisoners. Medium-term (30 days to one year) prisoners will be incarcerated at consolidated, centrally located brig sites. All prisoners with sentences in excess of one year will be transferred to Ft. Leavenworth or to the Federal Prisons system. This reorganization will reduce construction costs by 35 percent ($68M) over previous design estimates, will reduce brig staffing requirements by 30 percent ($12M savings), and, commencing in FY-91, will restore a minimum of 1,140 sailors to honorable service annually.

The PCS Account. The Navy's unique sea duty environment also affects our Permanent Change of Station (PCS) requirements. There are few things more demanding on an individual and family than the rigors of duty at sea. Because ships' homeports are widely dispersed, it is not possible to have the number and diversity of shore duty billets in each homeport which would permit most sailors to rotate between sea and shore duty at no cost. Despite this limitation, we estimate that 45,190 no-cost

moves and 6,500 voluntary tour extensions will be executed in FY-86.

Based on population, the FY-87 PCS program complies with congressional direction to reduce the number of PCS moves. The FY-87 PCS Budget request is the smallest requested since FY-75, the earliest year for which we have calculated statistics.

FIGURE 17



The efficacy of a management approach (and congressional pressure) toward a singular goal of minimizing PCS costs must be balanced in the overall context of the outcomes achieved through the reassignment of Navy people. Our ability to replace planned and unexpected losses within individual units and major components of the force structure is key to sustaining fleet readiness. We need your understanding of the uniqueness of the Navy's PCS situation, and your support for the funding to execute a balanced PCS program which will correct manning imbalances, enable an equitable sea-shore rotation policy, support established overseas tour lengths, and allow requisite training at the appropriate career gates.

Civilian Personnel Management Demonstration Project. Two Navy laboratories have been testing an alternative personnel management system since 1980. The project, which uses a simpler, more flexible approach to job classification and performance based actions, was extended by the 98th Congress until 1990. The

savings in management time has increased the overall productivity of the two test labs. We support the expansion of this personnel management system to other Defense components and organizations.

TAKING CARE OF THE PEOPLE - THE QUALITY OF NAVY LIFE

The Quality of Life program focuses on improving operational readiness by assisting our members in meeting their personal needs and family responsibilities. The welfare of our personnel and their families is critical to our success in achieving and maintaining a fully-manned force. The geographic instability and family separation which are part of a naval career make availability of sufficient housing, recreational facilities, commissaries, hospitals, and family support services crucial to maintaining the standard of living and morale of our men and women. Sailors are required to spend a great deal of their time at sea and are frequently unable to be with their families in time of need. Each day the Navy has the equivalent of 86,000 single parents while their spouses are at sea. In order to offset the hardships indigenous to Navy life, it is necessary that we make every effort to achieve and maintain a quality of life equivalent to that of the society we expect our personnel to protect. With your help, we have made significant progress over the past year. Let me recap our accomplishments along these lines and preview our initiatives for FY-87.

Family Support Programs. One objective has been to develop a strong family support network. This program is divided into two major elements - headquarters and field operations. At the headquarters level, policy and guidance are developed for program areas such as: Family Service Centers, Family Advocacy, Overseas Duty Support, Spouse Employment, Ombudsmen Program, Dependents Education and Navy-wide Family Awareness. At the field level, assistance to service members and their families is delivered through a planned network of Family Service Centers (FSCs). The

first FSCs were funded in FY-81. Today, we have 63 in operation, and by the end of FY-87, all seventy centers will be on-line. Navy personnel and their families do avail themselves of these services. For example, in a recent three month period, we assisted approximately 250,000 people.

Child care centers currently receive over 15,000 of our sailors' children daily, yet, unfortunately, the demand for services cannot be met. As a result, we have undertaken Family Home Day Care initiatives in government quarters to begin meeting excess demand. Another dimension of our concern for the welfare of our service families is reflected in the expansion of Navy's Youth Fitness Program.

Another issue that will continue to get increased attention is employment assistance for spouses of both our military and civilian members. Placement opportunities in the new locations when members transfer will become an even more important consideration in retention decisions by our military members and relocation decisions by our civilian members. Although Navy efforts on behalf of all spouses preceded passage of the Family Assistance Act in 1985, we very much appreciate the additional emphasis that implementation of the Act will give to this concern. On the other hand, we must be sensitive to the impact that the preferential treatment of spouses can be expected to have on equal employment objectives and promotional opportunities for our current civilian work force.

Housing. Our housing objective is to ensure that military members with dependents have suitable housing We will build 845 units of Military Family Housing in FY-86, a 51 percent increase over FY-85. Our long range construction plan will reduce our current buildable deficit of 11,600 units to 4,776 units by FY-91. To care for our unmarried members, we have averaged nearly 7,000 spaces of new bachelor housing construction over the last three years. In both programs we are dedicated to providing

adequate housing to members and their dependents, with special emphasis on our more junior personnel and those assigned to extremely high cost of living areas.

Reimbursement of Personal Expenses. I am pleased to report that the congressional initiatives to ease the financial burdens on sailors' families during their numerous moves, many to the highest cost areas of our country, have been enthusiastically received in the fleet. These moves usually cost Navy families significantly more than their moving allowances permit. This out-of-pocket cost is a major compensation disincentive when families consider reenlistment. The expanded allowances have reduced but not eliminated the shortfall. Although not fully-funded in FY-86, the authority to pay expanded allowances for temporary lodging, increased travel and transportation allowances and the authority for advance payment of housing related allowances are responsible for the ground gained in this area. Even with these improvements, there are reimbursements for necessary costs that are not yet adequate. Household goods weight allowances for uniformed personnel are not adequate, nor are they equitable, when compared to those of the Federal civilian employee. Last year Congress was provided with a table of proposed household goods weight allowances for uniformed personnel. I urge that funds be provided to enable full implementation of these higher weight allowances.

In the area of temporary duty travel, the ability to adequately reimburse our uniformed personnel for lodging and subsistence expenses does not exist. The law prescribes for uniformed personnel a per diem ceiling of $50 per day and an actual expense reimbursement ceiling of $75 per day within the continental United States. These ceilings are simply too low. The result is that part of the cost of travel necessary to conduct Government business is paid out-of-pocket by the traveler who, at least in the case of the uniformed service member, has no realistic option except to carry out orders and bear the

expense. Removing the statutory ceilings for travel within the continental United States and adopting a lodgings-plus concept would enable equitable reimbursement for temporary lodging and subsistence costs. This improvement would parallel the recently passed legislation for Government civilians.

Miscellaneous Compensation Low/No Cost Initiatives. This year we are requesting several minimal or no cost compensation/ reimbursement initiatives which for the most part shore-up current programs to provide more complete or updated coverage. The low cost items include: providing subsistence for dependents in an outpatient status at overseas hospitals away from their homebase, increasing household goods claim limits to more realistic levels, providing local travel per diem, authorizing student dependent travel from Alaska/Hawaii, and providing transportation for the next of kin for members seriously ill or injured. The no cost initiatives (in some cases cost-saving initiatives) are management tools to provide better efficiency and improve quality of life for our members. They include: early return of dependents to CONUS under unsafe circumstances, permitting carry-over of negative leave balances to follow-on reenlistment tours, and payment of temporary storage costs for excess weight household goods, which will later be reimbursed by the service member. Your support of these initiatives is strongly requested to improve our members' quality of life at very minimal cost.

Dependent Dental Care. The Dental Insurance Program, forthcoming in FY-87 for active duty dependents, is a signal improvement in the total health benefits program for Navy families and is warmly anticipated in the fleet. Such a contributory enrollment type plan sends a positive message to our sailors that we care about their families' total well-being and are prepared to assist in defraying the cost of dental care that they clearly require and deserve.

Credit Cards in Navy Exchanges. In October 1985, we received congressional approval to use nationally recognized credit cards in exchanges. This also is an important element in reassuring our Navy families that their living conditions are comparable to their civilian counterparts.

Voluntary Education. The Navy's Voluntary Education programs provide opportunities for sailors and their families, with special emphasis on the overseas deployed personnel, to share opportunities for education that are available to all eligible citizens. Active duty personnel receive education planning guidance, testing services and are offered courses ranging from high school completion through doctoral studies. Analysis of FY-85 enlisted retention survey results reveals that the desire for more formal education ranks high (8 of 30) among incentives for reenlistment.

The services, benefits and opportunities given our Navy people through Quality of Life programs contribute directly to improved readiness, on-the-job performance, and retention. In addition to the family programs which I have described, we have undertaken a variety of efforts to improve the individual sailor's quality of life. Health care professionals regularly visit all operational units to provide command programs in fitness, stress management, nutrition, smoking cessation and weight control. Shipboard exercise rooms are proliferating as command fitness coordinators implement Navy's Fitness for Life initiative. Also, increased emphasis is being given to general recreation programs to improve morale of shipboard sailors. Both the fitness room initiative and expansion of recreation opportunities are positive alternatives to drug and alcohol abuse. We cannot afford to lessen our efforts in improving the Quality of Life of our active duty forces and their dependents. Only by making an on-going commitment can we be assured of attracting and keeping the quantity and quality of people needed to achieve our maritime strategy objectives.

CONCLUSION

You have funded the ships and aircraft for a 600-ship Navy by 1989. We cannot afford to default on the hardware purchases already made. The final payment must be made for the personnel, who are the real force multiplier in the readiness equation, if we are going to realize full return on the nation's investment. To maintain adequate manning of ships and aircraft squadrons in a growing fleet despite end strength limitations, we have inadequately mannod fleet support and shore activities. This will affect readiness in the long term. It has already led to longer sea tours for critical, sea-intensive ratings. We continue to see ways to cope with inadequate end strength, such as civilianization of some shore billets for ratings which are not sea-intensive, but we have cut shore manning as much as it can be cut. Opportunities for civilianization are not unlimited since Navy has a unique necessity to accommodate sea-shore rotation demands: on an aggregate basis, in the force structure every two billets added at sea require one billet added ashore to ensure equitable rotation and prevent unduly long sea tours. These shore billets provide the maintenance, logistical, administrative and operational support necessary to sustain fleet readiness. If the trend established by FY-82 through FY-86 end strength constraints continues, the Navy will be some 18,000 people below manning requirements in 1991.

People are the most critical and important asset we have in the Navy. The quality of men and women in the service today is among the best and brightest this country has to offer. That we have been able to attract them and keep them on board, in spite of unique demands we place upon them, are the factors most responsible for the exceptional turnaround in readiness we have experienced over the past five years. The compensation and personnel legislation enacted by this and the previous two Congresses have given us the tools to achieve this impressive record: a record which has been assessed as a success by

every conceivable measure one could apply, including return on dollars invested. That record, however, must be sustained.

I am cautiously optimistic we can sustain the quality of the current force and complete the contract we have to provide a properly manned 600-ship, 15-battle group Navy. It will be a Navy that is lean, combat ready, affordable and can meet the threat. To accomplish this we do require a measured increase in manpower to support the programmed structural growth of the fleet. Inextricably linked to this are adequate levels of com- pensation and a reasonable quality of life for our sailors and their families.

APPENDIX A

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The CHAIRMAN. Thank you.
Next we have General Shaud.

STATEMENT OF LT. GEN. JOHN A. SHAUD, DEPUTY CHIEF OF STAFF, PERSONNEL, U.S. AIR FORCE

General SHAUD. Mr. Chairman, I am privileged to represent the Air Force with you here this morning. I would like my statement, of course, to be put in the record.

The CHAIRMAN. Without objection, all prepared statements will be put into the record.

General SHAUD. I will give you an abbreviated comment of an already abbreviated statement.

I would like to talk really to three matters as to where we are today in the U.S. Air Force.

We have high quality people, and we are very grateful to the Congress for helping provide that. I will talk to where we are going in the future. There is some uncertainty involved and I think we have a very modest program for 1987.

Then I will speak to some manpower concerns and try to emphasize the idea that we have increased our capability while providing great discipline to the manpower growth, the modest growth that we have asked for.

First of all, as far as the Air Force today is concerned, we have modernized strategic forces, increased readiness and sustainability, we have increased airlift capability, modernized tactical forces and also have a more effective capability to operate in space.

My point is that all of this is dependent upon quality people. This is what we have and this is truly our competitive edge with regard to Air Force readiness.

The fact that we have high-quality people is reflected in our recruitment in that over and over the test scores of our recruits keep getting higher. I think a very real measure of the quality of the U.S. Air Force today has to do with discipline. Article 15, general courts martial have significantly decreased over the last 4 years. We want to thank you, Mr. Chairman and this committee, for providing us the wherewithal to compete for manpower, to compete for manpower in the private sector, for a very scarce resource.

As far as the future is concerned, we are guardedly optimistic. Retention right now is above average, but it is diminishing, particularly with regard to pilots and enlisted people in the high-tech and sortie-generating skills. The reasons for this General Elton and Admiral Carlson have spoken to, and here is where we really focus on the family. Family separation, difficult living conditions, being required to put oneself in harm's way, which is felt throughout the entire Air Force community, those are the reasons.

We also are looking at something, I would call an economic uncertainty, as we address retirement and pay caps. Even though any changes to the retirement system will be fully grandfathered, there is a sense of fiscal risk in the force that we get when we talk to the troops.

Our agenda for 1987 we feel is modest. We are looking for a military pay raise of about 4 percent, civilian 3 percent. We would like to continue working out PCS moves, making them less painful for

the members and continue work on increasing household goods weight allowances. Also, we would like funding for our dental care program. This, among our health initiatives, also ranks very highly. Finally, we would like relief from IRS 83-3, which will place a great burden on the homeowners in the military.

As far as manpower is concerned, we ask for some 730 military spaces and 1,558 civilian spaces. This is the smallest request, actually, since 1980. We feel that we have held these requests to an absolute minimum.

As a matter of fact, the 730 military request is against a 9,100 military requirement. So we have shown discipline and some ways we do this is through functional reviews, mil-civ conversions which yield productivity improvements, and also we have reduced support positions, approximately 4,000 in 1986, almost look to 5,000 in 1987.

We have also taken on some new missions and I think increased military capability with self-imposed zero growth in management headquarters. Recently we accommodated the spares acquisition management, the Fraud, Waste and Abuse Program and the manning of Centcom, also the unified space command and the 23rd Air Force that deals with our special operating forces. So the idea is that we are in fact disciplining, effecting self-discipline with regard to manpower growth.

The final part of my statement, sir, is if there will have to be cuts—and we are aware of the budget environment that we are are in today—the plea is these cuts not be undistributed manpower cuts but be program associated.

What this means is that if they are undistributed cuts you have more work with fewer people to do it and the people doing that work are the high quality people that we want to retain.

So we do not want to produce an environment for them that tends to push them out of our service. So we thank the committee for its support in the past and stand ready for your questions.

[The statement of General Shaud follows:]

PREPARED STATEMENT OF LT. GEN. JOHN A. SHAUD

I. INTRODUCTION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, it is a privilege to appear before you today to present an overview of the status of Air Force manpower and personnel, and to discuss our initiatives for Fiscal Year 1987. My report confirms the wisdom of the investment you've made in our men and women in uniform. It also highlights the management initiatives we've taken to control costs, while at the same time increasing our capability.

Air Force people, both military and civilian, are the foundation of our warfighting capability and continue to be the central focus of all Air Force priorities. High quality, well-trained and experienced people are essential to all mission areas and programs. Our efforts to modernize strategic nuclear forces, improve readiness and sustainability, increase airlift resources, modernize the tactical forces and improve our ability to operate effectively in space are giving the Air Force the hardware it needs to perform the mission. However, it's our people who must operate and maintain these systems and who will ultimately determine the course of battle.

Last year we reported that the quality of Air Force people was never better. This assessment still rings true. Nearly every indicator by which we judge quality is up. Our recruits are better educated than ever and are highly motivated to serve. They perform well during their training and initial duty assignments, and the many who choose to stay continue to be highly productive throughout their careers. On an equally positive note, we have fewer disciplinary problems. Air Force

members and their families are proud of the job they do, and proud of the institution and the country they serve.

Much of the credit for the dramatic turnaround since the late 1970's belongs to Congress for its support of pay increases and improvements in such benefits as travel allowances, family support centers, and other "people programs". This support has significantly raised the quality of life for our people and their families. It has also given them incentive to cope with the rigors and hardships of military life. And, Congressional support has allowed us to compete with the private sector for scarce manpower resources. There is no question that the people who wear the Air Force uniform today are the best that our country has to offer.

In spite of this rosy picture, we approach the future with guarded optimism. While retention is still slightly above historical averages, since FY84 we have seen an increasing number of skilled, experienced people leave the Air Force, particularly pilots and enlisted personnel serving in high-tech and sortie-generating specialties. And, we are entering a period of increasing uncertainty due to an improving economy, fundamental changes in the basic fabric of American life (i.e., working spouses), and the difficulties inherent in a fiscally constrained environment. When we add these factors to the realities of military life (e.g., frequent relocations, involuntary family separations, difficult living and working conditions, and risk of personal injury or death) and the increasing perceptions among our members that continued pay caps and a mandated retirement change are the "tip of the iceberg" in terms of erosion of

benefits, we understand clearly the challenges that lie ahead. In our view, the Air Force cannot afford to return to the personnel crisis it faced just over five years ago.

The Air Force fully appreciates the Federal budget dilemma and is working hard to review programs to ensure taxpayers get the most for their defense dollars. In the FY87 budget we have taken a particularly hard look at our programmed manpower requirements. Our FY87 budget calls for an increase of only 730 military and 1,558 civilian manpower spaces, the smallest manpower request since FY80, despite significant increases in mission responsibilities. Over the course of the Five Year Defense Program (FYDP), growth averages only three tenths of one percent military and two tenths of one percent civilian. Congress' message over the past several years is clear and we are working hard to hold future growth to an absolute minimum.

In developing our FY87 manpower request we have taken deliberate management action to ensure the most efficient mix and organizational structure. We have used functional reviews, military-to-civilian conversions, cost comparison studies for contracting-out non-military essential positions, and a formalized, productivity improvement program to identify the thousands of manpower spaces needed to offset required growth. And, we are doing more, with particular attention to reductions in support areas. In FY86 approximately 4100 military indirect support requirements were realigned to higher priorities or eliminated, and in FY87 we will reduce or realign almost 5000 more. By FY91 approximately 620,000 authorizations are scheduled to be studied under our Functional Review Program and the

anticipated savings will also be used to reduce our annual manpower request to Congress.

Our headquarters functions have also been reprioritized. Recently we accommodated spares acquisition management, the Fraud, Waste, and Abuse Program, and the activation of CENTCOM, HQ USSPACECOM,and 23rd Air Force (MAC) within the limits set in FY81 by a self-imposed no-growth policy. The bottom line: the Air Force is making substantial progress in its efforts to respond to Congressional concerns and budget realities, yet provide the capability required to meet the threat.

We need Congress' support to continue work on these and other important initiatives without mandated manpower cuts which are not program specific. Such reductions cause inefficiencies and program delays. They do not eliminate the work, they eliminate the people to do it, and thereby impact the morale and welfare of those quality people who are again expected to do more with less. This leads to a degradation in mission capability and readiness. The end result: we lose the "qualitative edge" that we have worked so hard to gain over the last five years.

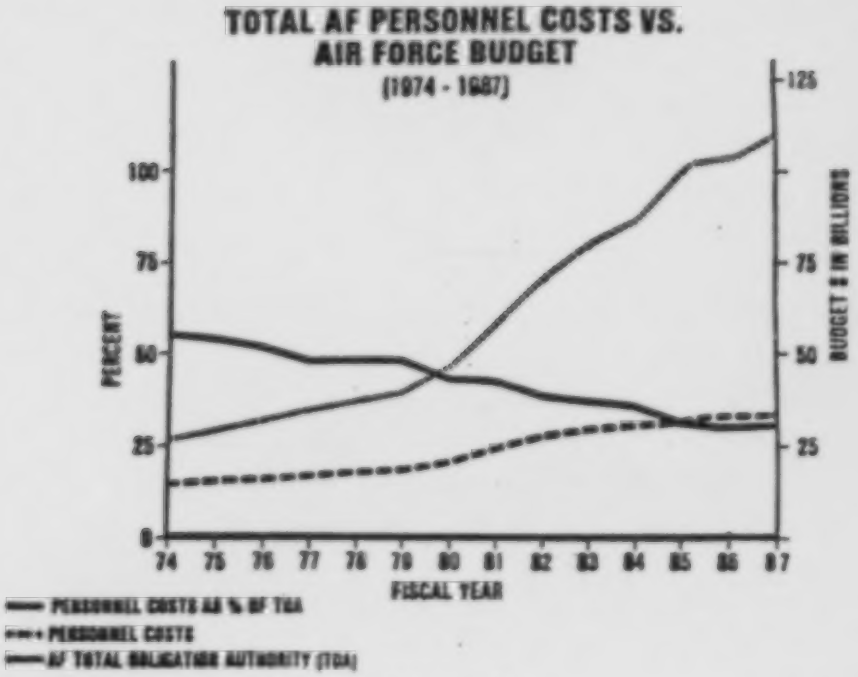

Figure 1

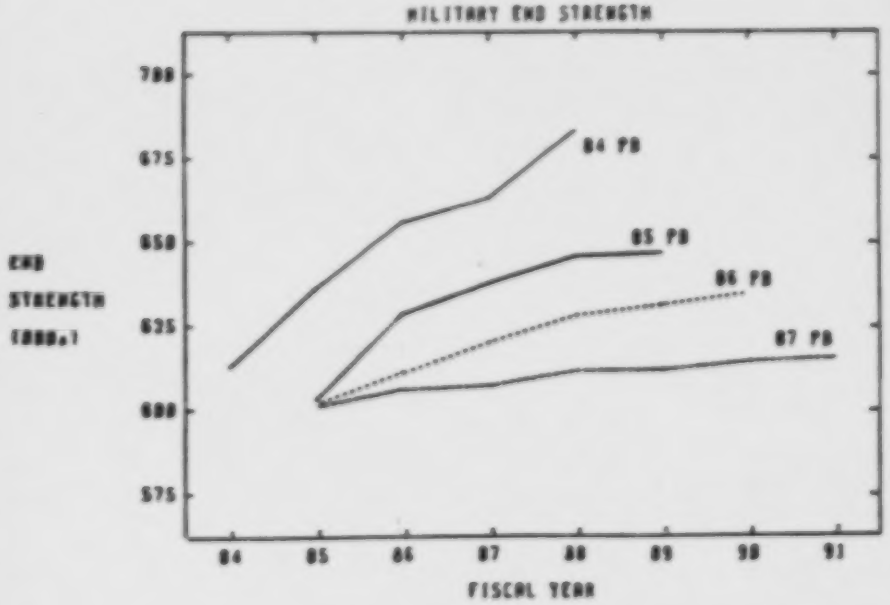

Figure 2

II. STRUCTURING THE FORCE

Active Military Manpower: Active military manpower is programmed to grow 730 spaces in the FY87 Budget (see Figure 2). However, 9,100 new requirements have been accommodated within the existing strength. These requirements include increases needed for: (1) deployment of the B-1 bomber, modernization of tactical fighters (F-16), airlift (C-5B), special operations aircraft, and the ground launched cruise missile (GLCM); and (2) increased readiness and sustainability initiatives in aircraft maintenance, chemical-biological defense, and medical support. Offsets for these increases were identified by rebasing or eliminating older weapon systems and by Air Force management initiatives. For example, Congressional elimination of civilian ceilings for FY86 allowed us to convert 300 non-military essential positions to civilians. Contracting actions reduced 1500 military positions, and consolidating data processing and telecommunication centers provided additional savings.

Civilian Manpower: The Air Force is requesting a civilian manpower increase of 1,558 for FY87. These additional authorizations support new weapon systems such as the B-1B and F-16, aircraft maintenance, and C-17/B-1B/Peacekeeper logistics support. The growth includes an additional 700 civilians to provide full time support for our Air Reserve Forces. It also includes civilian increases resulting from converting military positions in non-military essential skills to civilian positions. Eleven hundred military positions have been converted to civilian in anticipation of contract cost studies.

We solicit Congressional support in FY87 to continue to

manage civilian employment without end strength ceilings. The $73M savings that resulted from the FY85 test clearly demonstrated the Air Force's prudent management of the civilian workforce and we will continue to prove that ceilings are counter-productive.

Contracting: Civilian contracting, consistent with national defense requirements, is a viable and efficient means of accomplishing the Air Force workload. Since FY81 the Air Force has studied over 10,700 positions of which 7,800 were contracted or reduced as a result of cost comparisons. Currently we have over 450 activities under consideration; however, legislation prohibiting the contracting of certain activities, such as firefighters and security, is counter to our efforts. The Air Force supports a contracting program that gives the Secretary of Defense the authority to contract without unnecessary restriction. For instance, the recent Congressional increase in the A-76 threshold for full cost studies from 10 to 40 civilians will help reduce the time it takes to determine the most efficient method of accomplishing the workload. This change will impact 139 current cost comparisons.

Productivity Initiatives: The Air Force is actively pursuing a major initiative, through its Management Engineering Program, to increase productivity and reduce operating costs by eliminating unnecessary and inefficient work practices. Under the Functional Review Program, virtually every Air Force activity will be analyzed to increase operating efficiency without decreasing effectiveness. During FY87 we expect to start 90 functional reviews covering 85,000 positions. We are placing

primary emphasis on enhancing operations through streamlined procedures and state-of-the-art equipment. These efforts are complemented by an aggressive Productivity Enhancing Capital Investment Program, which has saved almost 1200 spaces and offset a potential growth of over 2,500 additional deferred manpower positions. The average return on investment for this program is now 8-to-1 in terms of dollar savings and cost avoidance. To reduce our manpower growth, savings from the Functional Review Program and Productivity Enhancing Capital Investment Program are realigned to higher priority requirements. Two longer range Air Force programs also aimed at increasing mission capability while reducing manpower costs are Rivet Workforce and Reliability and Maintainability 2000.

European Troop Strength: Since FY83, Congress has limited the level of US military manpower in Europe. The FY86 ceiling of 326,414 for all Services includes manning for GLCM and Pershing II missiles and will be a permanent limit until Congress is convinced that our NATO allies are improving their conventional defense capability. We believe the focus should not be on allied contributions. Our force levels should be tied to countering the growing Soviet and Warsaw Pact threat. This threat includes force expansion, modernization, and improved force projection. We have established the size and composition of US forces in Europe to help our allies meet three vital objectives: preserve NATO's political integrity, deter aggression, and militarily defeat any attack on NATO.

We have made trade-offs to maintain mission capability and remain below ceilings through mission transfers, unit

inactivations, undermanning and civilianization. To complete the GLCM program, as well as other Air Force programs that USCINCEUR (the theater commander) has identified as "critical growth," we must sacrifice lower priority theater resources that will decrease available conventional capability. At the same time, the attention of the theater Commander and his staff is diverted from combating the threat to working the ceiling issue. If Congress continues to impose constraints on US military manpower levels in Europe, readiness will be degraded. We believe that the ceiling should be eliminated; if not, then, USCINCEUR should determine the appropriate force mix and level for each Service based on his analysis of the Soviet threat.

The Air Reserve Forces: The Air Force--including all active duty, civilian, and reserve components--organizes, trains, and is equipped as a team. The Air Reserve Forces (ARF) make significant contributions to security and military readiness by providing depth, continuity and balance to the responsiveness and flexibility of the active force. The proper active/ARF mix ensures that we have the force structure and manpower to meet the requirements for deterrence, peacetime presence, and immediate response.

For FY87 Air National Guard growth of 290 Military Technicians, 1,087 Active Guard/Reserve spaces, and 3254 drill positions (which includes the 290 military technicians) supports force structure, modernization, readiness, and sustainability initiatives. Assignment of C-5, C-141 and C-130 aircraft, as well as F-16 modernization efforts, are the major reasons for this increase. Additional manpower was necessary to

support this force structure and improve readiness and sustainability in medical functions, PRIME RIBS, and the F-4 maintenance areas.

The Air Force Reserve growth of 279 Air Reserve Technicians, 41 statutory tour spaces, and 3059 drill positions supports assignment of C-5s and modernization of the force with F-16s. Readiness and sustainability are supported through medical increases, civil engineering, and additional mobilization augmentees.

While the Air Force leads in implementing the Total Force policy, criticism of specific areas continues. There is a movement to reduce additional active manpower authorizations by transferring more missions to the ARF. Congressional involvement in the active/ARF mix determination process has been based primarily on the misconception that transfers from the active to the ARF component will reduce Total Force costs with no loss in overall capability.

While there is little disagreement that ARF units are usually less expensive to maintain than similar active units, analysts must recognize that the reduced costs are caused primarily by the reduced activity levels. Other factors, such as personnel costs, retirement costs, base operating support costs, and military and civilian grade structure comparisons, must also be addressed when comparing active and ARF units. Readiness indicators show that ARF units meet their required combat capabilities. However, in some mission areas their selected combat roles are more narrow and less training-intensive than their active counterparts. Thus it is cost-effective to have the

ARF perform these specific missions. Whenever active-to-ARF transfers are considered, Total Force combat capability, cost-effectiveness, and specific mission requirements must be addressed.

Recruiting: In FY87 the Air Force needs to recruit 66,900 enlisted members and over 3,900 officer candidates and health professionals. Of the enlisted accessions, 2,900 must be fully qualified prior service applicants who possess critical skills. In addition, 30 percent of the officer requirements are in the critical and highly competitive health professions area. We must accomplish this despite a decreasing number of young people, a strengthening civilian economy, and stiff competition from civilian schools and industry.

To meet the FY87 recruiting objectives, Air Force productivity standards must continue at current high levels. Based on current projections we will recruit about 20 percent of DOD's total accessions with only 10 percent of the resources. In turn, Congressional support of ongoing initiatives is critical, and funding and manning should remain at adequate levels. We believe our recruiters are up to the challenge, but any decrease in funding will jeopardize our mission accomplishment.

Enlisted Recruiting: The backbone of our recruiting success has been and will continue to be the all-volunteer recruiting force. The record of Air Force recruiters speaks for itself, particularly in the areas of cost-effectiveness and productivity. Our cost per recruit is the lowest in DOD while recruiter productivity is far greater than the DOD average. We believe the increase in Special Duty Assignment Pay to a maximum

of $275.00 in the FY85 Authorization Act was a positive and much needed initiative that will help maintain this success.

Enlisted Recruiting Objectives

Program	FY85 (Actual)	FY86	FY87
Non Prior Service	65,017	65,000	64,000
Prior Service	2,002	2,000	2,900
	67,019	67,000	66,900

Figure 3

Officer Recruiting: In FY87 our officer objective is 3,941. Although this number is equivalent to that of FY86, it may be more difficult to meet because of increased requirements for critical speciality physicians and dentists.

Officer Recruiting Objectives

Program	FY85 (Actual)	FY86	FY87
Officer Training School	2,940	2,306	2,498
Health Professionals	1,757	1,742	1,443

Figure 4

Civilian Recruiting: A new intern recruiting program was initiated in 1985 to recruit recent college graduates for entry-level GS-5 and GS-7 trainee positions in a variety of occupational fields. The program, PALACE ACQUIRE, is based on work force analyses of turnover rates, mission, and technological changes. The contracting career field, for example, already has a turnover rate that is 13 percent above other career fields, and the Air Force projects a 20 percent loss of contracting professionals due to retirements alone in the next five years.

PALACE ACQUIRE will maintain civilian work force stability and expertise in major functional areas by providing a pipeline of experienced, highly-skilled civilian employees. This valuable civilian recruiting tool has been continued in the FY87-91 Five Year Defense Program.

Training: Training is both a powerful recruiting incentive and an essential military function. Training in the Air Force, including military construction and base support, costs more than $1.6 billion--almost 80 percent of that is salaries for military and civilian personnel. The Air Force gets a good return for its training dollar. We have reduced the average initial skill course length from 16.8 weeks in 1970 to 11.7 weeks in 1985, even though there have been quantum leaps in the technology being taught.

While training is a "cost of doing business," we are well aware that we must find new and innovative ways to do our training. We are using simulators and computer based instruction to improve the quality of training at a lower cost than would otherwise be possible. We are also adapting interactive video disks, high resolution computer graphics, and exportable courseware used on computers already in offices and shops to moderate costs.

The Air Force has an initiative in FY87 to establish a Manpower, Personnel, and Training (MPT) function at the Aeronautical Systems Division, Wright-Patterson AFB, OH. Eventually, we want to establish such a function at each Air Force Systems Command product division. The MPT function will be responsible for improving front-end analysis and bringing

critical MPT factors into weapon system design considerations. This will provide a better man-machine interface and provide systems that have lower human costs throughout the system life cycle.

We are also asking for a modest increase in FY87 funds for contract training and travel funding. Without these additional funds, we cannot train Air Force personnel on new and modified systems in time for the systems to go operational. This will result in shifting costs from training to operations and maintenance for extra spares and extended contractor support.

Quality training is not a luxury; it is good economy and an essential element in Air Force readiness.

Retention: Air Force retention peaked in FY83 and, as expected, has started to decline in some areas. Although declining, reenlistment rates remain high by historical measure. Pilot retention is our greatest concern as their rates continue down; however, certain high-tech and sortie-generating enlisted specialities are also showing downward movement. Factors which may result in a decline in retention across-the-board include improved private sector employment opportunities, a pay comparability gap, threats to the military retirement system, and the uncertainties of future military budget cuts. Favorable economic conditions, such as airline hiring and low unemployment rates, constitute a significant "pull" factor. The Air Force must be cognizant of and minimize the effect of additional "push" factors created by inequitable budget cuts or policy changes.

Officer Retention: Navigator and nonrated line officer retention rates have stabilized near record levels while pilot

retention continues to decline (Figure 5). The pilot cumulative continuation rate declined from 72 percent in FY84 to 59 percent in FY85, and the downward trend is expected to continue.

Airline hiring has provided unprecedented opportunities for employment for Air Force pilots (Figure 6). Airlines hired over 7500 pilots in CY85 in anticipation of industry-wide expansion. These expansion efforts and increased airline pilot retirements will likely produce a sustained demand and competition for pilots through the decade, although probably at more moderate levels. The demand for pilots has placed a premium on the experienced and disciplined Air Force pilot.

Over the past several years, high retention has enabled the Air Force to eliminate large pilot shortages (1,302 in FY79) despite an increasing pilot requirement. The pilot inventory and requirements are currently in aggregate balance, but the situation is delicate. Improved retention will be required to prevent shortages from reappearing.

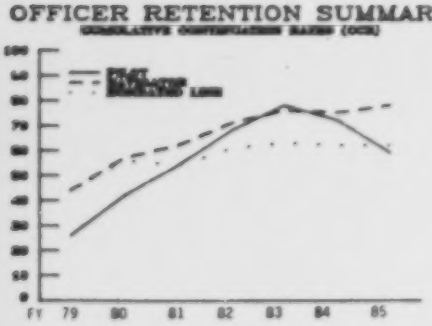

FIGURE 5

FIGURE 6

Enlisted Retention: Reenlistment rates peaked in FY83, but have declined since then (Figure 7). One area of concern is the 12 percentage point drop in the first-term rate. History has taught us that the Selective Reenlistment Bonus (SRB) Program is vital to satisfactory retention in our critical, warfighting skills. Significant cuts to SRBs have set the stage for greater losses followed by personnel shortages similar to those suffered in FY79.

While overall enlisted manning is currently at authorized levels, we are experiencing mid-level NCO shortages in certain combat-related areas, such as intelligence, avionics and aircraft maintenance. To maintain experience, we have increased promotion opportunities in Chronic Critical Shortage (CCS) Skills, beefed up prior service recruitment of selected Air Force members, and implemented a policy that keeps a few qualified NCO's beyond mandatory retirement points. However, the most effective initiative has been the SRB program. Our concern is whether these initiatives will be sufficient to meet the private sector competition for our highly trained people.

In light of increasing job opportunities in the private sector and accompanying higher salaries, we can expect stiff retention challenges well into the 1990's. Based on the current environment, we anticipate further reenlistment rate declines in FY86. We are well aware that our large, second-term force reenlisted during poor economic conditions with high unemployment. They will soon reenter the decision window, and the potential exists for heavy losses as early as FY87. Additionally, reductions in quality of life programs which may

result from Gramm-Rudman legislation could accelerate this scenario and we could experience increased losses in mid-FY86.

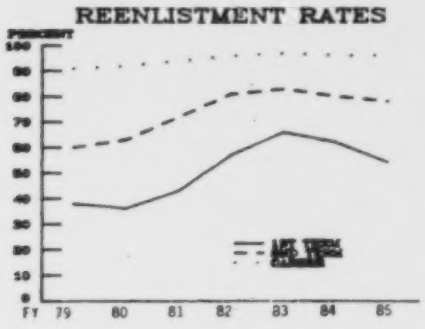

Figure 7

Civilian Retention: Though we have been able to attract young, professional talent to the Air Force, we are concerned about retention. Recent analyses indicate that by 1990, 25 percent of our civilian scientific, professional and management population will have retired or be eligible to do so. This, in conjunction with other projected work force changes, could mean losing 31 percent of our engineers, 42 percent of our scientists, 29 percent of our logisticians and 24 percent from the financial management field. To insure work force stability, the issues of federal pay, benefits, and retirement systems need long-term solutions. It is also time to work toward the goal of adjusting white-collar pay by occupations and locality.

Women in the Air Force: The Air Force has long been a leader in providing opportunities for women to serve their country. We are proud of the fact the Air Force has the highest percentage of women in any of the Armed Services (11.8 percent as of December 31, 1985). Congress believes, however, that we can and should access more women, thus freeing up qualified men to serve in other Services. This recommendation was predicated on the Air Force's small number of jobs which are restricted by the combat exclusion policy (compared to the other services), and the impact of the declining youth cohort on recruiting by all the Armed Forces. In the FY85 DOD Authorization Act, we were directed to enlist 19 percent women in FY87 and 22 percent in FY88. Believing these quotas to be arbitrary and without any valid basis, the Air Force conducted a study to analyze the effects of varying male and female force levels.

Our study was completed and forwarded to Congress in April 1985. The study refuted fears of the impact the declining youth cohort would have on the Services' abilities to recruit high quality enlistees. Concurrent with the release of the report, the Secretary of the Air Force approved a new combat exclusion policy which more clearly states the type of positions to which women may not be assigned. The significant change to policy is that women may not be assigned to positions where there is a high probability of hostile fire and capture. As a result of this change, 900 additional positions were opened to women. In addition, CINCSAC opened Minuteman combat crew positions to women (but not with mixed gender crews). The study concluded we should not recruit

men and women in fixed percentages, but should develop a genderless feature in our accession methodology which will allow the male/female mix to fluctuate with changes in the eligible/qualified/interested marketplace. Based on these current factors, we anticipate female accessions of about 19 percent for FY86. We have implemented this procedure, but need relief from the mandated female accession percentages in order to fully realize its benefits.

III. MILITARY COMPENSATION AND QUALITY OF LIFE ISSUES

Permanent Change of Station (PCS) Reimbursements:

Historically, the lack of adequate PCS reimbursement has been one of the most critical personnel issues in the Air Force. A 1985 survey showed that, exclusive of home ownership costs, for every $3 our members spend on a PCS move, only $1 is reimbursed by the government. This translates to median unreimbursed expenses ranging from approximately $1,500 to over $2,700 depending on grade. Consequently, over half our members (58 percent) have had to borrow or withdraw money from their savings in order to meet their PCS expenses.

PCS relocations are a common occurrence in military life. The average first termer relocates twice; career military seven to eight times. The recent Congressional actions (e.g. funding a four day temporary lodging expense and improvements in junior enlisted travel) have significantly reduced the financial burden associated with PCS moves. Preliminary estimates are that these new improvements will reduce the member cost/reimbursement ratio

to approximately 2.8 to 1. However, it is important that we maintain momentum to further reduce PCS hardships. To this end, we urge Congress to fund a household goods weight increase for all grades in FY87. A congressionally directed study to set weight allowances should be ready for FY87 action.

Dependent Dental Care: Dependent dental care is our primary health care initiative. It is essential to the health and well-being of Air Force dependents. The FY86 Authorization Act authorizes dependent dental insurance coverage to include preventive, diagnostic, emergency and basic restorative care, but specifies this new program cannot be funded prior to September 30, 1986.

The need for dental insurance has been consistently mentioned by service members during quality of life surveys and base visits. A relatively low cost program (AF share $26.3M for FY87), it will more than pay for itself in terms of recruiting and retention. It will be a major morale booster and will help dispel the perception that military benefits are being eroded.

The American Dental Association estimates that by 1990, 50 percent of the population will have some form of dental coverage. To maintain a competitive edge over private industry, we need a fully funded dependent dental insurance program.

IRS Ruling 83-3: The Internal Revenue Service (IRS) has indicated that Revenue Ruling 83-3, which disallows deductions for mortgage interest and real estate taxes to the extent such expenses are paid from a tax-free allowance, may be imposed

against military homeowners in January 1987 unless Congress intercedes. Such a ruling would have a devastating financial impact on military homeowners. Nearly 300,000 of them would incur an additional tax liability of approximately $1,000-$4,000 annually--the equivalent of a three to five-percent pay cut in the grades most affected: the career force of E-5s through O-5s. Further, Ruling 83-3 ignores the fact that the tax-exempt status of military allowances is an integral part of the military compensation system and has been accounted for in establishing pay levels since 1965. The Air Force strongly opposes the IRS ruling and supports House passed legislation in the tax reform bill to preclude implementation against military homeowners.

Pay Comparability: The long-term success of the all-volunteer concept is predicated on keeping military pay comparable to private sector compensation. The recruiting difficulties and exodus of experienced mid-career officers and enlisted members from all the Services in the late 1970s were due, in large part, to the significant gap that emerged between military and civilian pay beginning in the mid-70s. Since comparability was last achieved in October 1981, the gap, as measured by the Employment Cost Index (ECI), has grown to 8.1 percent--larger than the gap that existed in the late 1970s. The last four pay increases have been capped and pressure is strong to trim the DOD budget.

Today, we face competition from the private sector that is, in some ways, worse than we began to experience in the mid-70s. Since FY83, when our retention peaked, the civilian unemployment rate has fallen from more than 10% to under 7%--a decrease of over 3 percentage points. In the comparable period before FY79,

our worst retention year, the unemployment rate fell by less than half that much. Our concerns are further heightened because, unlike the 70s, our force is expanding and the Air Force no longer has the large post-Vietnam pool of experienced officers and airmen to absorb the effects of a retention crisis.

The All-Volunteer Force has produced a tremendous improvement in the quality of our people. To maintain this quality, the long-term objective of pay comparability should be pursued. We urge Congress to support the President's request for a four (4) percent military pay raise in FY87.

Military Retirement: Since 1948, when the current system was enacted by Congress, our military retirement system has provided the cornerstone we need to maintain an effective, combat-ready force to safeguard our national security interests. It has served us during the best of times and the worst of times by giving us the incentive to help attract and retain the right numbers of quality men and women to the service of our country in both war and peace, during recessions and unprecedented economic growth, in the face of an unstable system of pay and allowances, and through the emergence and success of the All-Volunteer Force.

No other element of the military compensation system is more important to our career personnel. Our studies and surveys consistently reaffirm that the military retirement system is the number one career incentive. Cutting this system would most readily cause the loss of our talented and experienced careerists. Our people view this entitlement as the stable and unifying element in an otherwise volatile compensation system, and as deferred compensation for the many sacrifices we call on them to make. But recent Congressional actions have threatened the stability of the retirement system.

Major changes currently under consideration will, if enacted, reduce the lifestream value of retired pay by 16 percent. When added to the 13 percent loss due to high-three averaging enacted in 1980, our future retirees will receive over one-fourth less retired pay than current retirees. After 20 years of military service, future members will receive about 25 percent of regular military compensation (the military equivalent of civilian salary). Current retirees receive about 34 percent. We are concerned that this cost savings agenda could undermine the morale of our men and women in uniform. They may justifiably perceive that Congress no longer values their sacrifices as much, while the sacrifices we ask them to make have not changed.

We do not know precisely at what point cuts in military retirement would exact an irreparable loss of the career incentive, although we feel strongly there is one. Our instincts tell us that this latest cut puts us dangerously close. We are concerned that these proposed cuts will destroy the delicate balance of overall compensation and, by failing to provide the proper mixture of career incentives, eventually result in a lower quality military force.

One thing is certain: we cannot continue changing the retirement system without considering the implications of changes already enacted and pending. But no mathematical model or survey can tell us what we need to know: what is the most efficient and effective total compensation package for the military? Only observed behavior under a changed system can provide the answers. The system we have now has stood the test of time, through peace and war, and has served us well. Further change

carries substantial risk.

Aviation Career Incentive Pay: ACIP was established by the Aviation Career Incentive Act (ACIA) of 1974. It provides an incentive for members to complete a full aviation career by meeting statutory requirements for flying ("gates"). As a career incentive, ACIP continues while rated officers are in non-flying jobs, insuring a ready resource of experienced aviators if needed for combat, and providing valuable operational flying expertise in key staff positions.

Preserving the current incentive value of ACIP is vital, especially since the competition from the private sector for pilots is increasing. Airline hiring has continued to increase over the past few years (over 7,500 pilot hires in CY85), and today almost any Air Force pilot wanting a civilian aviation career can find a job. This situation will probably continue beyond FY87.

Retention of pilots, where training costs average $750,000, is a primary consideration in rated force management. In 1979 the Air Force experienced a severe pilot loss but was able to absorb the loss due to a large pool of pilots left from the Vietnam era. Today that reserve of pilots is gone. Current retention is extremely fragile and any large losses would result in the Air Force being unable to meet its requirements. Although pilot production increases could offset the losses numerically, the length of time needed to season these new pilots would result in an overall decline in the experience level and combat capability of the force. This loss of experience translates into degraded combat capability and decreased flying safety.

Overall, ACIP is a cost effective program. The savings in

training costs by preventing the loss of 190 pilots would offset the entire FY87 ACIP Budget of $141.4M. The aviation career concept embodied in ACIP provides a predictable, continuous entitlement that has proven essential to rated force management objectives.

Selective Reenlistment Bonus (SRB) Program: The Air Force continues to closely scrutinize its SRB program. Bonuses are paid for only those critical skills that have shortages or insufficient reenlistments to maintain the future health of the skill. Headquarters USAF reviews all SRB skills at least twice a year and makes program adjustments as required. These programming adjustments consist of adding and deleting skills as well as making appropriate changes to payment levels. Currently, 87 of a possible 236 skills receive an SRB--the majority of them being in the intelligence, electronics, avionics and aircraft maintenance career fields. A $6 million dollar SRB reduction in FY86, coupled with perceptions of uncertainty regarding future benefit and entitlement issues, necessitates full congressional funding of the FY87 SRB Program.

Family Support Centers: Military families make strong contributions to retention decisions with a resulting positive impact on readiness and national defense. Two-thirds of our Air Force people have family responsibilities. These families affect the morale and job performance of Air Force members and are the dominant factor in the decision to remain on active duty. In today's environment it is essential that we continue to meet family needs. To help fulfill that responsibility we are establishing Family Support Centers (FSCs) at 123 major bases.

We will build ten new centers for a total of 64 in FY87, and intend to complete all 123 centers by FY91. We strongly urge continued congressional support for this program.

Family Day Care: The Air Force is developing a family day care program (care of small numbers of children in quarters by a military spouse). This program expands the child care options available to parents. It allows the base commander to approve a certain number of homes after they have been inspected. Prospective family day care providers have their base records screened for suitability to provide child care and attend training sessions on child development, health, and safety procedures. The family day care program expands child care capacity on the base without the Air Force incurring additional capital expenditures. The availability of this type of care is especially important for our families with young infants, handicapped children, and children who cannot be cared for in a large group because they are susceptible to illnesses. It also significantly helps families that work shifts and have extended TDYs--those families that need care when it is not cost effective to have the child care center open. To implement the family day care program, the bases hire a coordinator who identifies, approves, and supervises the homes. The Air Force has identified 109 new positions as assistant child care directors to implement this program. Continued support of this Air Force initiative is essential if we are to respond to Air Force families' needs.

IV. LEADERSHIP ISSUES

Managing PCS Moves and Costs: It is vital to mission success that we maintain a viable Permanent Change of Station Program which allows us to meet our global commitments while providing fair and equitable treatment for our people. With these requirements in mind, we have aggressively managed our PCS programs to increase stability and reduce costs for both the government and our people. As an example, in 1986, we are increasing the overseas tour lengths at 19 locations (18 were increased on 1 Jan 86). These increases include major bases at Eielson AFB, Alaska; Kadena AB, Japan; and Clark AB in the Philippines. We expect other increases to be effective later this year as a result of a comprehensive all Services review of tour lengths. We are committed to eliminating as many unaccompanied overseas tours as possible, but recognize the need for such tours in certain areas where the environment is clearly not suited for families, or where the cost of necessary support facilities is prohibitive. We are committed to maintaining 12-month tours in areas where dependents cannot be located. A longer period of forced family separation could easily result in more separations in lieu of reassignment with the attendant replacement training costs.

Other efforts to reduce moves and increase stability include higher overseas selection priority to those who volunteer to serve an extra year overseas, a liberal overseas extension program, and the Oversea Tour Extension Incentive Program. We have increased the number of involuntary overseas extensions for those with short retainability in order to eliminate the need to

pay for a move back to the States and then another move less than one year later for separation. We have increased the time on station required for certain CONUS moves and have had considerable success with the Voluntary Stabilized Base Assignment Program, which guarantees up to five years stability at selected, hard-to-man bases. We have also helped cut the cost of moves by encouraging the Do-It-Yourself Move Program, which saves household goods shipping costs.

Our efforts have been successful. Despite higher overseas requirements and greater commitments to man new weapons systems, we have increased the time on station between operational, rotational, and/or unit moves from 23.7 months in 1974 to 49.5 months now.

We solicit your continued support to maintain a viable PCS Program.

Drug and Alcohol Abuse Control Program: The Air Force believes substance abuse jeopardizes combat readiness and must be met with an aggressive and sustained program of deterrence. We are continuing to focus all available and necessary resources to minimize the adverse effects of drug and alcohol abuse on our military, civilian, and family members. For example, we have strengthened our policies and management practices to provide our field commanders with improved and responsive tools to discipline identified abusers and to selectively rehabilitate those being retained on active duty. Concurrently, we have refined and toughened our quality force standards of conduct to insure the retention of productive and well-disciplined members. To solidify preventive measures to combat potential abuse, new

approaches in our information and education programs have been employed with continued command and supervisory support. To address the needs of Air Force families experiencing the persistent, debilitating effects of alcohol-related problems, closer cooperation and coordination between base staff agencies have been regulated. Training seminars and workshops for interagency personnel have been and will continue to be conducted to explore new techniques and methods to enhance program services. Furthermore, a comprehensive Driving While Intoxicated Initiatives Plan has significantly reduced the number of alcohol-related incidents among Air Force members.

Our commitment to control substance abuse has resulted in a steady decline in all reported categories of abuse from previous years. For example, our urinalysis positive rate for marijuana has dropped from 12-15 percent in 1983 to less than five percent in 1985. For other drugs, which have always been significantly lower for the Air Force, there are similar improvements. Because of our emphasis on alcohol abuse prevention and DWI identification, we are also seeing declines in alcohol abuse. The 1985 DOD Worldwide Survey shows a decrease in the amount of lost productivity due to alcohol abuse (i.e. individuals reporting one or more incidents within a year) from 28.0 percent to 19.4 percent. We will continue to intensify one efforts to further diminish the potentially adverse impact of substance abuse on mission readiness.

General Officer Grade Relief: Again this year the Air Force urges Congress to act on DOD's Comprehensive Flag and General Officer Management Legislation. Our position remains unchanged:

the number of general officer authorizations must grow to support our increased mission, budget, and personnel strength. Last fall, we were encouraged by indications that both Armed Services Committees would schedule hearings early in 1986 on this critical legislation; unfortunately, no hearings resulted. If it appears that Congress will again be unable to take up this important legislation, we ask authorization to return to the FY81 strength levels. Even as an interim measure, this token increase would go a long way towards improving our leadership and management posture in the Air Force at practically no cost to the taxpayer.

In the event this relief is not forthcoming, we must again ask Congress to extend or make permanent the exemption granted in the FY85 and FY86 Authorization Bills which will allow us to continue a four-star general as commander of our Air Training Command.

V. CONCLUSION:

Mr. Chairman and members of the Committee, we have addressed requirements that will achieve a fiscally responsible force, capable of meeting Air Force worldwide commitments. We are concerned about the impact a robust and healthy economy, characterized by lower unemployment rates, improved job stability, comprehensive benefits in the private sector, and increased demand for high technology skills will have on our ability to recruit and retain high quality people. As we look to FY87 and beyond, we once again seek your continued support for our programs and initiatives to help counter these factors. Your support will continue the momentum of the past five years and insure our future readiness.

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The CHAIRMAN. Thank you very much, General.
Now General Cheatham.

STATEMENT OF LT. GEN. ERNEST C. CHEATHAM, JR., DEPUTY CHIEF OF STAFF FOR MANPOWER, U.S. MARINE CORPS

General CHEATHAM. Thank you, sir.

Mr. Chairman, I would also like to thank you for letting me appear here this morning. One day I would hope that we can be nothing but redundant if I speak for more than a moment.

The thing I want to stress is that the Marine Corps is recruiting good, high quality people and, more importantly, we are retaining them. Before I came to this job last July, I spent 3 years as commanding general, 1st Marine Division. I can tell you from experience that those 20,000 men and women out there are just absolutely superb Marines. We are ready, and our equipment is as good as it has ever been. I think we have a good program; we are cost-effective, and we are ready to fight when necessary, largely because of this committee and its commitment to quality. I hope that we continue to get the same support.

Thank you, sir.

[The statement of General Cheatham follows:]

Prepared Statement of Lt. Gen. Ernest C. Cheatham, Jr.

Mr. Chairman, distinguished members of the subcommittee:

It is a privilege for me to appear before you to present the fiscal year 1987 request for Marine Corps manpower. We are requesting an active duty military end strength increase of 1,500, Selected Marine Corps Reserve increase of 1,381, and a level civilian program. Increases are needed to support documented requirements.

My statement will focus on the state of our force today as it relates to both peacetime and wartime capabilities, the concepts and programs that channel this force, our fiscal year 1985 successes, expectations for this fiscal year, and support areas which require attention. The Marine Corps prides itself in being able to plan for and provide the right force to meet our unique missions and responsibilities. With your help we will continue to do so.

TOTAL FORCE

Policy

The Marine Corps is committed to a total force policy, using factors of readiness, appropriateness, and cost to determine which component should be assigned specific, directed, or implied missions. Our Reserve component participates in the decisionmaking process, war and peacetime planning, and day-to-day general activities. Our civilian personnel, although relatively small in number, are an integral part of the total force.

Active Force Requirement

The Marine Corps has been following a long-range, conservative, and deliberate pattern of growth in structure and manning since 1981 to support essential modernization. Manpower structure growth is designed to support new equipment and systems in the procurement pipeline. Planned manning growth coincides with increasing requirements. Modernization is essential for the Marine Corps to remain the Nation's Force-in-Readiness.

The structure increase for fiscal year 1987 supports the addition of a Target Acquisition Battery, continued modernization of field

artillery and Combat Service Support units, transition to modern aircraft, increased Marine Security Guard support, and activation of a ship's detachment on the USS Wisconsin.

Active Duty Manning

The Corps has been successful in finding and retaining those fine young Americans needed to fill our ranks. In fact, in fiscal year 1985 we remained within a quarter of one percent of our manpower plan throughout the year while increasing quality.

Building the right force is a complex, long-term process. It takes years to replace a career Marine. We must enlist and train four or five recruits in a particular skill, wait four years to see which one has the talent and desire to stay, and then continue to train and mature that Marine for an additional four years or more to develop one experienced staff noncommissioned officer. Accessions classification, training, and assignment support plans are needed two to eight years ahead of projected requirements. Today, most officers are contracted three to four years before they enter active duty, and most young people enlist for four to six years. These factors mandate long-range planning.

For the last ten years, in addition to coping with long lead times required to manage the force, we have been trying to rebuild the career force lost in the mid 1970's by a lack of sensitivity to the private sector's attraction, low pay, and lack of family support. Restoration of our defenses to a level commensurate with our global responsibilities has been an arduous task for which Congress and Defense can jointly share credit. But that task is not yet finished. We must take great care not to unravel what has been so carefully woven, particularly in the area of manpower, which requires years to rebuild.

For the last few years, structure has continued to grow as scheduled although manning has not. The result has been reduced manning of requirements in the Marine Corps during difficult modernization transition years. Despite this, we have retained a high "tooth to tail" ratio with two-thirds of our manpower resources

assigned to the fighting forces, the Fleet Marine Force (FMF). We maintain these forces while still meeting our responsibilities to provide the Department of State with Marine Security Guards, and the Navy with ship's detachments, equitable formal school staffs, and Marine Barracks guards.

While we have always tried to man 90 percent of our FMF requirement, the authorized fiscal year 1986 end strength of 198,600 allows manning at 88.8 percent, with a projected increase to only 89.6 percent in fiscal year 1987 despite our request to increase end strength to 200,800. Only our ability to recruit and retain quality Marines has sustained readiness under these constraints. But there is a limit to "doing more with less." Unless the trend is reversed, readiness can be expected to drop.

Training plans and school arrangements require constant change to meet "most critical needs" whenever planned manning is reduced. A relatively small shift in phasing of accessions can easily result in an inability to fill 800 to 1,000 school seats.

Our primary manpower problems last year centered around adjusting to earlier than planned attainment of quality and force stability. As a result, we had an increased number of Marines with dependents, reduced disciplinary problems, and increased retention. While a positive impact for field commanders, improved quality means increased costs in an already fiscally-constrained budget.

The unprecedented percentage of enlisted Marines with dependents of 38.5 percent reached in fiscal year 1983 continued to rise to 42.5 percent last year, documenting for the first time in our history more Marine dependents than Marines on active duty. This rate is projected to begin leveling off at 44.1 percent this year.

Concurrently, disciplinary problems such as unauthorized absence and desertion continued to decrease, with rates last year less than half those of fiscal year 1983. The positive influence of better retention of quality Marines has increased stability in the force. As we follow our modernization plan, we have reached and are maintaining the highest level of readiness in the last decade.

Officers

We met all officer accession goals in fiscal year 1985 by admitting 1,677 commissioned and warrant officers. At the same time, we continued to better define requirements and improve management of the officer community.

Comprehensive flag and general officer legislation remains an issue of concern. We look forward to hearings on this subject and are eager for approval of legislation that would satisfy both congressional concerns and service needs.

Enlisted

As with the officer plan, we fulfilled all enlisted goals in fiscal year 1985. This success was achieved while attaining a record high level of quality, as measured by the numbers of high school graduates and upper AFQT group recruits. The increase to 96.8 percent of non-prior service recruits accessed with high school diplomas helped boost the education level of the overall enlisted community to an unprecedented 97.7 percent high school graduates. Simultaneously, we focused recruiting efforts on those who score in the upper three categories of the qualification tests, joining only 3.7 percent from category IV this last year. This infusion of better educated, more intelligent Marines, along with the decrease in disciplinary problems directly translates into improved readiness.

Moreover, force management policies have been established to make the best possible use of the quality force maintained today. A major effort has been made to reduce summer personnel turbulence by a combination of longer initial enlistments and level load recruit accessions. In fiscal year 1981, only 71 percent of our recruits entered the Marine Corps for 4-6 years. Last year, 82.5 percent entered for four and 14.7 percent for five or six years. Longer first term enlistments add significant stability to the force.

This stability is further enhanced by the level load policy begun in 1983 and formalized in 1984 for recruiting enlisted

personnel. The full impact of this policy will not be felt until 1987 and 1988, when Marines who entered under this policy begin to leave active service in a more level flow. We can, however, document improvements in training and assignments since the program began.

Another significant force management tool was recently adopted. Beginning this year, we will select staff noncommissioned officers for promotion based on validated military occupational specialty (MOS) requirements instead of general requirements across an entire occupational field. This important policy change will allow us to better balance our career force and to meet critical skill needs in the top four enlisted grades. Our goal is to provide the proper mix of experience and leadership in every combat essential MOS.

As we shift manning to meet changing requirements each year, we sustain manpower shortages in documented critically short MOS's of between 10,000 and 11,000 Marines. By targeting the Enlistment Bonus (EB) program to attract recruits into the right skills and the Selective Reenlistment Bonus (SRB) program to retain quality Marines in the short MOS's, we have been able to reduce the shortage by half by the end of each year. Continued congressional support of these key bonus programs is essential to our efforts to attract and retain the "right" Marine for the "right" job; therefore, reducing waste of manpower and training dollars.

Training

As equipment and duties become more complex, more Marines need to be school trained. Today, over 96 percent of all Marines attend a formal entry level skill school following recruit training. These schools range in length from 2 to 106 weeks. At present, only those Marines assigned to four relatively small MOS's are trained exclusively on-the-job. While formal school training is costly in time and dollars, it allows us to provide the greatest challenge to and reap the highest benefit from the highly motivated, young people entering the Marine Corps today.

Our total training commitment is extensive when entry level needs are combined with lateral move retraining and career development requirements. At present, 60 percent of this training is conducted outside the Marine Corps, which necessitates making school seat reservations with our sister services up to three years in advance. Level recruit accessions and continued stability in the force greatly improve our ability to plan, buy, and fill these training seats.

Civilians

Civilian personnel are employed in a wide variety of professional, technical, and administrative functions throughout the Marine Corps. Their presence permits the more effective use of limited military resources; increases manning of the Fleet Marine Forces (FMF); enhances local continuity; and provides specialized expertise not available within the military community.

To increase efficiency and avoid duplication, military and civilian manpower resources are applied against a single force requirement. The fiscal year 1987 civilian request of 22,124 is necessary and conservative.

Women Marines and Minorities

The Marine Corps has expanded the role of women to the maximum extent possible, within the limits imposed by law, and has tripled the number of women on active duty since 1975. Today, approximately 650 women officers and 9,000 enlisted women serve on active duty.

A 1984 classification, assignment, and deployment policies review for enlisted women Marines resulted in decisions which ensure that all Marines are afforded equitable assignment and career progression. Based on the results, enlisted women continue to serve in 35 of 39 occupational fields, and the authorized enlisted women strength will increase to approximately 10,500 by 1989. A similar review is underway for the women officer community.

A study on minority officer selection, and a related ongoing study on their retention, provide the cornerstone for efforts to increase the minority officer population. Our efforts to provide

a fair, balanced distribution of minorities within occupational fields continue to show steady progress. Ensuring fairness and equality of opportunity to all Marines is an inherent function of leadership.

Marine Corps Reserves

The mission of the Marine Corps Reserves is to maintain highly trained units and qualified individuals available for active duty in time of war or national emergency. Primary sources of manpower on mobilization are the Ready Reserves, consisting of the Selected Marine Corps Reserve (SMCR) and Individual Ready Reserve (IRR). Remaining needs will be met primarily through recall of certain classes of retirees.

The Reserve component is the underlying strength of our ability to expand for combat. Charged with providing the capability to rapidly fill out the force during wartime or national emergency, the Marine Corps Reserve must stand prepared to provide as much as 33 percent of the total Marine Corps wartime manpower requirement from SMCR and IRR assets. Positive steps continue to better organize, train, manage, and retain Marine reservists.

Both the SMCR and IRR have experienced personnel growth during fiscal year 1985, with continuous and steady growth projected for the future. Due in large part to outstanding recruiting efforts, the SMCR strength grew by 937 Marines last year to a total strength of 41,586, and plans are in effect for additional growth of 1,433 during fiscal year 1986. Similarly, the IRR which currently consists of 3,567 officers and 44,288 enlisted personnel, is scheduled to grow to 52,000 in fiscal year 1986, and will almost double in size over the next five years as a result of the increase in length of military service obligation.

In addition to meeting or exceeding accession goals in the SMCR, we continue to improve retention, although it remains an area of concern. As with the active force, we need to attract and retain quality as well as quantity.

We have made significant improvements this year in matching the right Marine with the right job, decreasing skill mismatches

while improving school training efforts. These efforts will continue.

Readiness and Mobilization

Peacetime readiness of both active and reserve units is assessed through the monthly Unit Status and Identity Report (UNITREP) and other systems. As mentioned earlier, readiness today has stabilized at a level higher than at any time since the establishment of the all volunteer force over a decade ago.

During a national emergency, we plan to immediately augment and reinforce the three active Marine Amphibious Forces (MAF's) with SMCR units. Our active and Reserve units frequently participate in training exercises to ensure we can accomplish this task in a timely and effective fashion. Our primary sources of pre-trained manpower for individual augmentation of the active MAF's are retirees and former Marines still fulfilling their military service obligation as members of the IRR.

We test the adequacy and executability of current and future mobilization plans through participation in major Joint Chiefs of Staff mobilization exercises. These tests have documented our flexibility and responsiveness while also identifying shortfalls in our system. A continuing problem is our inability to rapidly locate pre-trained personnel, since most retiree files list bank addresses to support check-to-bank needs, and former Marines in the IRR population frequently move without leaving a forwarding address. We need access to other agency address data bases to overcome this major deficiency.

We require a strong retired population. The task of continuing essential base and station functions which support transient fighting forces and their families in the event of mobilization will be assigned to this group of trained and proven Marines.

Wartime manpower sustainability after mobilization remains a serious concern. We must have sufficient in-theater medical support, as well as reinstitution of conscription immediately upon mobilization, if we are to operationally sustain the force.

QUALITY OF LIFE

The Marine Corps uses the term quality of life to define everything that contributes to a quality work and living environment for our Marines and their families. These programs enhance morale, help retain quality personnel, and lead to increased personnel readiness.

Compensation

We must continue to have a strong interwoven compensation system which provides pay comparability, direct pay-raise linkage to the private sector, and fairly supports our retired population as an integral part of the military community. Additionally, we must continue support for benefits and entitlements which help our Marines and families meet the unique challenges of military service, such as medical and dental support, equitable quarters and housing allowances, travel and transportation support, and exchanges and commissaries. Family support has received increased attention in the last two years as the number of dependents has grown. While Marines accept personal sacrifice, they deserve a reasonable, easily understood compensation and benefit system which provides assurance that their families will be provided for.

Finally, we do not support changes to the retired pay system. We believe change would cause degradation in the quality of the force and a resultant decrease in the readiness of the Marine Corps.

Permanent Change Of Station

The Permanent Change of Station (PCS) program is a vital and integral part of military force management. The general category of PCS and the subordinate parts must be considered in relation to the overall manpower plan, as each of the six types of moves serves a different although interrelated purpose.

The Marine Corps has made great strides in planning and managing PCS requirements. We have implemented the Unit Deploy-

ment Program (UDP), converted many overseas unaccompanied to accompanied billets, lengthened enlistment contracts, and reduced personnel turbulence. Discounting rising training aspects, we have actually cut the number of PCS moves in half over the last ten years during a time of growing operational requirements. Both the UDP and billet conversion programs have resulted in substantial dollar savings and improved readiness, and they are being expanded as rapidly as units can be prepared and the Government of Japan can provide adequate overseas family support.

Today, over half of our annual PCS program supports Marines entering or leaving the service. The remainder sustains our worldwide commitments as the Nation's Force-in-Readiness. A quarter of our force concurrently serves outside the continental United States in forward deployed units of the FMF or in a wide range of other duties including embassy, ships' detachment, and barracks security. Almost 10 percent of our force is serving in unaccompanied overseas tours.

Marines understand and accept the need to periodically undergo family separations in order to support our very heavy operational commitments -- it's all part of being a Marine. But in peacetime, a two-year enforced family separation is not acceptable. We cannot ask Marines, more of whom are married today than ever before, to involuntarily endure two-year family separations. Reasonable family separation policy in connection with unaccompanied overseas tours must be maintained. Tours must be long enough to meet operational needs, but not so long as to create unacceptable hardships. Cost alone must not be the primary factor in establishing tour lengths for Marines serving overseas without their families.

We need flexibility to handle this critical program at minimum cost while maintaining the ability to function operationally. Annually, the Marine Corps presents the most current and valid estimate of PCS requirements. There is no excess in this important program, either in moves or dollars to support other programs or new initiatives.

Unit Deployment Program

One of our great success stories in reducing PCS moves is UDP. Originally conceived as a six-phased program for infantry battalions and tactical aircraft squadrons and detachments in WESTPAC, UDP has been a major success in reducing personnel turbulence and increasing readiness. The UDP was implemented in 1977, converting 8,600 billets from one-year unaccompanied tours to six-month unit deployments. The expansion of this program to incorporate some combat support units will eliminate more unaccompanied tour billets overseas and save 1,600 rotational PCS moves annually.

Drug and Alcohol Abuse

Since 1982, the Marine Corps has followed a policy of non-tolerance of illegal use of drugs and abuse of alcohol. In light of our worldwide readiness requirements and our obligation to each other, we cannot afford to lower standards on the issue of substance abuse. As valid monitoring, survey, and detection tools have become available, they have been implemented to measure or effect policy in this area.

The significant reduction in admitted use of illegal drugs from 37 percent in 1980 to 17 percent in 1983, with a further reduction below 10 percent as reflected in the latest drug detection rates at the Navy Drug Screening Laboratory, clearly attests to our success against drug abuse. Effective leadership and a supportable deterrent - the urinalysis program - have been key to this success.

Similarly, the per capita rate for alcohol consumption has been reduced by one third and the number of heavy drinkers reduced by half with a corresponding increase in the light-to-moderate categories. Our emphasis has been on moderation. The Marine Corps has not declared "War" on alcohol, as consumption, which in most cases is perfectly legal, is a personal choice. Instead, we have asked each Marine to reflect on his or her drinking behavior and assure it is and continues to remain "responsible." This approach works. Of course, there are those for whom any consumption is irresponsible -- alcoholics. We continue to identify alcoholics

and provide professional assistance for the medically-treatable disease of alcoholism. Eighty-five percent of those Marines identified as alcohol dependent who undergo formal treatment recover and are returned to full duty.

Family Programs

Family Service Centers (FSC's) continue to expand their role in supporting commanders by offering counseling, referral, and information to Marines and their families. We have added another center and now have 19 operational centers which directly reach 90 percent of our population. These centers serve over 100,000 clients annually in myriad ways ranging from relocation assistance and family enrichment programs to financial counseling and pre/post deployment briefings. Reserves and their families may now use the information and referral services of these centers. Toll-free lines assist in providing answers to a wide variety of questions from over 2,500 callers per year.

The Family Advocacy Program (FAP) has also expanded to provide non-medical counseling, diversion, and prevention programs. This year, approximately half of our FAP resources will be directed toward prevention of family violence. More counselors have been hired and extensive awareness efforts implemented to familiarize active duty personnel with the family advocacy program. One measure of success in this area has been increased reporting of incidents of violence. This change is not due to an escalating problem but to improved awareness and cooperation by medical, child care, family service center personnel, and the military police. Family advocacy programs bring help to dysfunctional families in an effort to stop violence.

Employment Resource Centers (ERC's) have opened in four locations, and now reach about one-third of our client population. Service will be expanded to a total of 16 locations in the next 2 years. Each center provides professional job counseling, automated job referral, and career development workshops. ERC's have professional job placement counselors who assist spouses and separating and retiring Marines in determining career goals,

developing interviewing techniques, and expanding job screening skills.

We currently are automating the FSC's and plan to increase the staffing and funding of the support centers to develop media products for orientations and programs, to publish a professionally written family member resource handbook, and to offer "wellness" programs that will acquaint families with healthy attitudes about fitness, nutrition, stress management, and general health maintenance. Our present separation and retirement programs have been reviewed and are being revised to assist Marines in dealing with the stresses of changing vocations, finding employment, and understanding their benefits.

Morale, Welfare, and Recreation (MWR)

We continue to strive for more professional, quality morale, welfare, and recreation (MWR) programs within the Marine Corps. Extensive training and cross training is being conducted in all the MWR areas. Civilian recreational specialists are being placed in management positions to bring a more professional business approach and continuity to these important programs.

We are constructing facilities and conducting programs based on results of periodic patron attitude surveys and management assistance visits. We plan to spend approximately $35M in nonappropriated funds for construction of recreational facilities within the next few years.

In all, the Marine Corps is following a comprehensive MWR policy aimed at generating sufficient nonappropriated funds to accelerate construction or improvement of our facilities, while providing services that best meet patrons' needs.

RECRUITING

Marine Corps recruiting continues on a steady course. Both officer and enlisted recruiting efforts reflect our unwavering determination to fill the ranks with young men and women of the highest caliber.

This goal is particularly evident in officer recruiting. We

strive to commission lieutenants who are fully capable of leading today's enlisted force. These men and women must combine traditional and proven leadership values with a progressive, open-minded approach needed in today's technical Marine Corps.

In fiscal year 1985, we met or exceeded our goals in every officer accession category. Further, we entered fiscal year 1986 with a very strong pool of officer candidates, allowing flexibility in matching the best qualified Marine to the right skill community. We expect to enter fiscal year 1987 similarly prepared.

Although the officer accession goal for fiscal year 1986 is 1,645, down 32 from the previous year, we anticipate requirements of 1,677 in fiscal year 1987. The 11 percent annual minority goal, which was achieved last year, remains a significant objective which receives constant emphasis.

Our demands for enlisted recruiting equal those for our officer programs. We must recruit and train bright, young Americans who can adapt to more technical weaponry while mastering the art of small-unit leadership and the complexities of fire support and communications. Fiscal year 1985 was another banner year for Marine Corps recruiting as we met or exceeded our goals in every category. Fiscal years 1986 and 1987 promise continued success, but not without challenges.

As a result of the strong showing in fiscal year 1985, we began this year with 59.8 percent of the total force non-prior service (NPS) quota in the Delayed Entry Pool, the strongest starting position in the history of our Corps. Numerically, our requirement for regular NPS recruits this year is 1,648 lower than last, although quality goals have risen. Our goal is to enlist at least 63 percent of our requirement from those who score in test categories I-IIIA on the AFQT, while matching or exceeding last year's achievement of percent high school graduates.

Quality goals also apply to reserve quotas. Reserve accession requirements this year increased by 687. As stated, we are committed to filling both the active and reserve ranks with quality Marines.

We expect to maintain the present course of balancing quantity and quality goals by increasing automation, more efficiently managing recruiting efforts in assigning training school seats, monitoring recruiting operations, and analyzing market trends.

Ultimately, the Marine Corps offers an intangible but critical attraction to the youth of America -- the challenge itself of becoming "one of the few good men and women." This challenge should continue to ensure that we recruit and retain those necessary to remain the Nation's Force-in-Readiness.

CONCLUSION

The Marine Corps remains a combat ready force, composed of a caliber of educated, patriotic officers and enlisted Marines believed impossible to achieve not that many years ago. Our current manpower force is a product of long-term planning and constant supervision. That same attention is currently directed to ongoing efforts to develop and prepare for the required quantity and quality force needed for tomorrow; action which will ensure that the Marine Corps will always be ready to meet its unique missions and challenges.

The CHAIRMAN. I thank you, General.

Now we have Mr. Hillis.

Mr. HILLIS. Thank you, Mr. Chairman.

I want to welcome all of you here this morning. I do have a few questions, but I would like to begin by saying I think that the job all of the services have done in recruiting has been exceptionally good. I also enjoy watching your electronic ads. I think they really are tailored to get the message across to the young people of this country in a way that promotes and encourages patriotism and service and, obviously, it is well received because you are enjoying such success.

What I would like to address, I guess, is a broad question to you: How much longer do you think it would be well received if—you know, demographics tell us that the manpower pool is shrinking—are there certain things that you find that are bringing people to you, over others? For example, the educational benefits are highly advertised. I assume that is one of the big draws for recruiting today.

Is that more important than enlistment bonuses? I would like to get some of your comments on this as you see the future in recruiting.

Let us start with you, General Elton.

General ELTON. Thank you very much, sir. That is a subject very close to all of us in the Army.

To start at the beginning, the marketplace as we look at it is broken down into two different groupings: Those who are headed to college and those who are headed to the work force. So we have to provide, the services have to provide in their own way an appeal to each of those groups.

You mentioned the declining recruiting Cohort, which is 17 to 20 years of age, and that is correct. Up through 1993 it does go down. That will challenge all of us. It simply means that each of us must get inside the methodology to recruit young men and women and make sure they understand that the opportunities are available to them to grow and to do the kinds of things they would want to do either prior to going on to getting some additional education or prior to getting into the work force.

Some will stay in the service. None of us will be able to keep every one. We would not want to do that. But of those we do keep we want to keep the best, and we also want to prepare those who are leaving so that they can make a contribution to America.

We have found, as we have asked soldiers year after year, "Why do you enlist?" They tell us the kinds of things that Americans like to hear. They enlist because they want to gain some maturity, they want to get some inner growth. These are 17-year-olds who are telling it like it is. But they also tell us in the Army over and over that they are enlisting for educational incentives and we have those incentives to provide to them.

They know they want a little bit of eduction, but are not quite sure what kind, but they know because of their peers and the teachers in their high schools.

All of us are bringing in a great share of high school graduates, which is of extreme benefit to the force. Because they are graduates, their mind-set, their attitude is more toward education. That has to be good for America.

The point of it is that right now all the services have this available to provide them and they just think that that is a good idea. So do their parents.

So we are trying, at least in the Army—and I know the other services will tell you what they are doing—we are trying very hard to make sure that we deliver the message that we have an opportunity for them to take a hiatus, if you will, prior to going to college or going to some kind of higher education, vocational or junior college, whatever it is, and make up their minds what they want to do, find their future, if you will, and then press ahead and do something.

We find that, year after year, that has been our greatest incentive for these young men and women to come in. I echo the comments that General Shaud made with regard to quality. There is a distinctive difference in the performance of a high school graduate who is in the upper three mental categories. First of all, the high school graduate stays with us longer, therefore training costs are down, additional recruiting costs are down, and the taxpayer saves a great deal on that initial investment.

So we are after as much of a share of that quality as the Army can garner. We think we have hit it. We have gone through the

Training and Doctrine Command asking them to tell us as precisely as they can how much quality is enough, because we know it is not unlimited, and we know it must be shared with to the different occupations in our country. But how much is enough to make sure they can handle the new doctrine that we have Air Land Battle, and our new equipment.

They have come back and told us and, so far, with your assistance and with the educational incentives, we have been able to achieve the goals that we set for ourselves.

Mr. HILLIS. I see my time is up. I appreciate your comments.

The CHAIRMAN. Mr. Montgomery.

Mr. MONTGOMERY. I would like to welcome the Personnel Chiefs here today. I would like to get a comment from each one of you so I would hope that the answers could be very brief, if that would be possible, as to the questions that I ask.

I am a little disappointed, but I think I know the reason. In your prepared statements you are virtually silent on the GI bill. This is rather, I guess, something which has happened; because your statements are looked at by OMB or somebody. But give me your personal opinions: How is the GI bill working?

General, we are going to start over with you. And you had better give a good answer or I am going to come back over here if you do not.

General CHEATHAM. Sir, we have not been able to gather enough statistics yet to clearly document its use as an active duty recruiting and retention tool. It is new enough that we really have not been able to come up with an honest answer. My intuitive feeling is that it works. I can't provide statistics right now.

Mr. MONTGOMERY. General Cheatham, I will give you statistics then: I have been out to your Marine training bases. It is 38 percent now in the Marine Corps and it is going up to 70 percent in the next 3 months. So it is working well. They like it out there and they are pushing it.

General Shaud.

General SHAUD. Mr. Montgomery, recruitment, very fortunately, has not been a big problem for the U.S. Air Force. We appreciate the educational benefits that we are able to offer. Since your visit to Lackland, we have discussed some changes within the new GI bill (i.e., giving the recruit a longer time to determine whether to participate; and getting the monthly funding down to a more manageable level) which would make it more useful.

But recruiting in the U.S. Air Force has stayed at a very high level.

Mr. MONTGOMERY. Admiral Carlson.

Admiral CARLSON. We recognize the importance of some sort of educational benefit in our recruiting package and we advertise that. We are going to advertise it as we have in the past. We recognize the contribution these individuals, who are able to improve themselves, make the welfare of the total Nation whether they stay or leave the service; whether it be in increased taxes because they are able to improve their relative position in the job market or whatever other reason. There is great value in that program.

We appreciate your endorsing it and supporting it and your going out in the field and finding out those things for yourself.

Some form of education benefit is an important adjunct to our recruiting effort.

Mr. MONTGOMERY. Well, the Secretary of the Navy testified right where you are today that the Army had outrecruited them on account of the GI bill and the Army college fund and they were going to push more on the GI bill and to seek college funds. Is that still on track?

Admiral CARLSON. Yes, sir, it is very much on track as I mentioned. We recognize the value of it and we as well want to participate in that same market.

Mr. MONTGOMERY. In your personal opinion, you think it has been helpful to the Navy, the GI bill?

Admiral CARLSON. It has been, yes, sir.

Mr. MONTGOMERY. General Elton.

General ELTON. Mr. Montgomery, you know my personal opinion, but I will reiterate it.

Mr. MONTGOMERY. What is it? Just say it.

General ELTON. I am going to reiterate it again.

I mentioned twice already to the committee that without the educational incentive the Army's recruiting program would probably not achieve its quality goals. I just feel that strongly about it.

I can give you the facts in comparing the last 6 months under the old program and the first 6 months under the GI bill. With regard to active recruiting, there was an increase in quality of 10 percent with the GI bill.

With regard to Reserve component recruiting, there was an increase of between 30 and 40 percent with the GI bill. Those are the facts.

Now, whether that will continue or not, I have no idea; but the point is that the Army desperately needs that educational incentive.

Mr. MONTGOMERY. You mentioned in your statement that funding was not requested by the Defense Department for some educational benefits for 1987. What educational funds were you talking about?

General ELTON. Well, sir, as of right now, the educational program funds have been withdrawn from all the services' budgets for fiscal year 1987. Unless some other program takes the place of that deficit, we will have no program on the first of October.

[COMMITTEE NOTE.—General Elton's testimony is in error on this point, see "Army's GI Bill Budget," p. 180, for corrected information.]

Mr. MONTGOMERY. Are you talking about the kicker programs? Actually, what you are telling me then is that all you are going to end up with is the GI bill, because it is an entitlement and you have got it. You have got it for 3 years.

General ELTON. Well, sir, I am talking about after the first of October, unless there is some kind of funding put in our budgets, we will have no programs whatsoever for education.

Mr. MONTGOMERY. What program is that you are talking about, what programs? My time is up. What programs?

General ELTON. It is either the program of the GI bill, which is here today, or whatever might replace it.

Mr. MONTGOMERY. You can't eliminate the GI bill. It is an entitlement. I mean, you are violating the law. I can be corrected here, but you can't eliminate the GI bill. It is an entitlement. It is just like people eligible for food stamps or Medicaid. If they come in and fill out an application, you have to fund it.

General ELTON. But all of the other programs, the kickers that we talked about, which we call the Army College Fund and——

Mr. MONTGOMERY. That is what I need to know, the Army college fund.

General ELTON. Yes, sir, and the Reserve component part of it, those would be missing.

Mr. MONTGOMERY. No; the Reserve, but not the GI bill; it is an entitlement.

General ELTON. Well, we have no money with which to draw against that particular program after the first of October.

[COMMITTEE NOTE.—General Elton's testimony is in error on this point, see "Army's GI Bill Budget," p. 180, for corrected information.]

Mr. MONTGOMERY. You have got a lot of money. The program is bringing in tremendous amounts of money. I don't know where it is going, but these kids are putting up $100 a month. It is going to somebody. It is going into the general Treasury.

Mr. Chairman, maybe we ought to get a clarification. They are going to do away with all the educational programs and they can't do it.

Thank you.

The CHAIRMAN. Mr. Bateman.

Mr. BATEMAN. Thank you, Mr. Chairman.

I would like to follow up on my colleague, Mr. Montgomery's questions, about the educational benefits. I think we need some sort of memorandum on the status of funding and the entire scenario of what happens budgetarily, fiscally, under existing law, if we do not do something in this session, what is going to happen. I can envision some very expensive commercials having to be produced if you don't have some educational benefits to offer, among other dire consequences.

But let me, if I may, ask you to revisit the old issue of the Military Retirement Program.

General Elton, I noted in your prepared statement on page 8 that you point out that in the fiscal year 1986 authorization we have mandated or we have provided for a reduction in the accrual account in contemplation of a recommendation from the Department of Defense on change in retirement benefits to effect those savings.

You point out in your statement that we haven't done anything on that yet and, as I sense it, the longer we delay in doing it the more you are having to put out from each person who has come into the service at this point and hereafter and that is going to have to be made up for. It represents some sort of a shortfall and if we don't cover it in some way that you are going to have to reduce force levels.

Am I paraphrasing your concerns about that?

General ELTON. Yes, sir; that is absolutely correct.

Mr. BATEMAN. Well, I wish you would elucidate, any of you, on that subject so we will be more confident as to in fact what we are

dealing with and what is going to happen, depending on what we do or don't do, and the time frame in which we must do it.

General ELTON. All right, sir, let me take a shot and then I will turn it over to my colleagues because I am sure they have some comments about it also; but with regard to the Army, our share of that $2.9 billion bogey has been withdrawn.

There are two things that can happen. Either the Congress can determine by about the first of May that they are going to cover that and replace it, or they are going to select one of the options or come up with some other option for a change in the retirement which would add up to the $2.9 billion.

If that doesn't happen by about May 1, we must take action to begin to release people from the force, because we won't be able to pay for them.

Mr. BATEMAN. Are you saying that if we do something by May 1, the problem is solved, not in a way that you look upon as desirable, but it is solved as long as we enact one of the options by that time?

General ELTON. Yes, sir.

Mr. BATEMAN. It is solved as long as we do it by May 1?

General ELTON. That is what I have been led to believe, and our analysis shows that, that is correct.

Mr. BATEMAN. Further, with reference to the retirement program, is there any dissent from the view that this is going to be an expected predictable negative in terms of retention?

General ELTON. We think very much that it will have a negative impact if one of the options is selected. We believe it will have a negative impact. We have tried very hard to model the impact, knowing that we have no behavior from which to draw for the model, but we have tried very hard to do that using the same modeling techniques as was used by the Fifth Quadrennial. We find that both those options could cause us in the long run to lose quite a number of noncommissioned officers and officers from the force unless there is some kind of an offset. Of course, we can talk about different types of those if you are interested.

Mr. BATEMAN. Have you given any thought to whether or not under the options that were submitted to us for changes in the prospective retirement program that a sharper slope from 20 years of service to 30 years of service might be less egregious in terms of the retention, the experience and who it would help you retain that you would most want to retain?

General Cheatham.

General CHEATHAM. Yes, sir. We have looked at that, as we have looked at many, many different options. If there is a high upswing from 20 to 30 years, you may retain some of your critical technicians, and that is important. At the same time, as an example, we don't always need 45-year old platoon sergeants. We must balance youth with experience. We have and will continue to look at our force mix.

Mr. BATEMAN. Your recommendations accommodate that mix of who you retain, as best you can?

General CHEATHAM. As best we can; yes, sir.

Mr. BATEMAN. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Sisisky.

Mr. SISISKY. Thank you, Mr. Chairman. I have a couple questions.

I don't know if I am going to have time, but I did want to follow up on Mr. Montgomery's questions under the GI bill, but I have something more important or as important to ask you.

You know, last week the President spoke of getting our troops and all the equipment that they need. Some of us, however, are wondering how we are going to get all the troops that the equipment already on order will require.

Now, I know that the services have long been developing networks like Hardman in the Navy and Manprint in the Army for predicting the manpower personnel and training needs of a proposed weapons system.

Now, it makes sense to me that those needs should be analyzed as early in the acquisition process as possible.

Indeed, I think this kind of integrated analysis could be used on other decisions, Admiral Carlson, like strategic homeporting.

What would you say are the obstacles, the real obstacles of plugging manpower personnel and training considerations into the acquisition equation early enough to affect the design of a system or a policy?

Now, I asked this question in the Personnel Subcommittee, and I always do it in my Military Construction Subcommittee also, because we are the reaction to after we set the policy, either through a policy statement or a weapons system purchase.

Would you like to answer the question, Admiral?

Admiral CARLSON. Yes, sir; I would like to start, if I might.

I think we all want to do that. Certainly in the Navy we want to do that and with the advent of high speed computing, et cetera, we are in fact embarked on a program to do exactly that.

In Hardman we think about putting together the hardware and the manpower and how we are going to do it in the out years. But there are just so many variables, you know, as we start to model the program, which ask: Are we going to sustain the buy over time that we forecasted in the 5-year defense plan; are we going to be in a time of peace or are we going to be in a time of war? In a broad sense we want to do it, but I think it is very difficult.

I should tell you that we are doing the best we can. We recognize that there perhaps are efficiencies that we could realize were we to do a better job early on. We like to think we are doing it now but it is certainly an imperfect science.

Mr. SISISKY. I appreciate that, and before anybody else wants to answer, I just single an example of strategic homeporting.

Everybody seemed to be amazed about two weeks ago in a hearing, and I don't know whether it was part of the GAO report or somebody testifying that strategic homeporting in itself would require 3,200 additional uniformed personnel, not counting the civilians, and everybody seemed to be surprised and in shock. People were questioning. I don't know whether that is plugged in or not as that policy decision is made.

Admiral CARLSON. Yes, sir. On the matter of strategic homeporting, as the ships come on line we forecast what those ships are going to need in terms of people and support.

We think that whether the ship is in port A or port B it takes the same amount of people to man the ship and generally it takes the same amount of infrastructure ashore, because at some of the existing places real estate is incredibly expensive. We can't expand pier spaces. We can't build new piers, and so we end up anchoring ships out and, in fact, it becomes more costly at some existing places.

Mr. HUNTER. Will the gentleman yield on that point?

Mr. SISISKY. Yes, I will yield.

Mr. HUNTER. I thank my friend for yielding.

I think what Mr. Sisisky is speaking to is the additional personnel that would be required due to the establishment of essentially new home ports. I don't think anybody can logically deny that you are going to have to have extra personnel, just as now. If you send a ship repair job, for example, to a port that doesn't have the infrastructure to support it, you have to send up to that area Supships people and other folks to support that particular naval activity.

As I understand it, and I will ask my friend from Virginia, Mr. Sisisky, the 3,200 additional people are not people on the ships. They are people associated with the support activities that will have to be built that are essentially duplicative of something you have someplace else; is that correct?

Mr. SISISKY. It was additional people, but I don't want to belabor that because we are doing that in another place right now.

Mr. HUNTER. Well, I will let it go for now. I thank the gentleman for yielding.

Mr. SISISKY. Coming back to the GI bill, I am a little confused about what my colleague from Mississippi was talking about as an entitlement program. If it is indeed—and maybe somebody can explain it—but if it is indeed an entitlement program and good for 3 years, why is there indecision? What is going on around here? Maybe it is something I don't understand. Would anybody like to explain what he was talking about there?

General ELTON. I am the one that probably created the confusion, so let me take a stab at it.

We all are aware that the Veterans' Administration runs the program. What has been withdrawn from the budgets are the additional funds for the kickers from the Army; but the law has to be changed. If the Congress doesn't change the law then the administration is going to have to do something and put funds back into the Veterans' Administration or somewhere so we can get on with an educational incentive program. That is all it is. It is an attempt to make a change.

I am only concerned, and I know my other colleagues are only concerned, that if we don't take some action to make sure there is an incentive program available, there may be nothing, and as we move toward October 1, we have the requirement of advertising and truth in lending and that response is quite severe for us. So we just would like to see that whole issue clarified so that the funds are there upfront.

Mr. SISISKY. So it is then up to us to be assured that the funds are in that pot, then?

General ELTON. Yes, sir, absolutely.

Mr. SISISKY. Mr. Montgomery, do we understand that?

Mr. MONTGOMERY. I don't really think so. I think it is up to the administration to transfer the funds. Until we repeal the GI bill then it is an entitlement, and it is up to the administration to fund it. Either they take it out of the VA or they take it out of the Defense Deprtment, so it is really not in our court at all. It is up to the administration to find the funds, and they will.

I don't want it to be misleading here today that it is not going to be funded. Somebody will go to jail if it is not funded, because they are violating the law.

Mr. SISISKY. When you say the administration, you mean the President can go to jail?

Mr. MONTGOMERY. Well, I don't want to put him in jail.

The CHAIRMAN. Mr. Bennett.

Mr. BENNETT. In discussing the things that bring people into the service and the things that tempt people or encourage them to stay in the service, there must be a difference. I would think probably when they are coming aboard they are thinking about eductional benefits, and that is very important to our whole subject, as well as the military.

I sort of feel when you go down the pike on this and make a half a turn, maybe they will think a little bit about the timing and unless you do something to offset that type of discouragement in mid-term by some procedure that we haven't discussed here, it would seem to me we are going to suffer because of cutting down on the time.

The public has the opinion that the timing is very, very liberal, but if you talk about the enlisted man's retirement, you can't live on it and if you have children in high school, or something like that, there is no possible way to live on it. It is just an assistance then to have a job to help them, but they certainly can't live on the retirement that is involved. So I would like to have you address a bit what you think is going to happen if we do, and I guess we will, cut down down substantially on their retirement benefits. What is that going to do to the type of a man you would like to keep on?

General SHAUD. Mr. Bennett, let me start it off and I am sure all my colleagues will have some comments to make.

In the Air Force, particularly, we are interested in the retention of that mid-level NCO and officer out on the flight line that has the sortie-producing skills, high tech, the pilots, and so forth, and it is in those areas especially that in the last year or two we have seen diminishing retention, again not below average, but diminishing below where it was in 1983.

Now, our problem, as General Elton mentioned, is modeling the specific effects of changes in retirement on his retention behavior. We know it is there. They mention it in exit surveys, and people that raise questions so when you visit the bases and so forth.

The problem is that in 1980 we diminished the retirement some 13 percent when we went to high 3. But it will be 5 more years before we see the impact of that change. It will take that long for those in the 11-year group to make the decision, whether they stay on or not, so we don't know the impact yet of what happened in 1980. That is why it is our position to be very much against any further change; but it gets to the point that you are addressing and

the readiness of the Air Force is very much dependent on retaining particularly midlevel career people.

Mr. BENNETT. I do think it is something that ought to be given very active consideration, particularly for those people that you want to retain. They don't have a magnificent retirement. Many people think they do, but they don't. It's impossible to live on. It is only a few hundred dollars a month. It is something you have to look at.

I would hope that you would bring in some proposals to see if we can offset that. Of course, I guess it's hard to know exactly what you want to do in the future if you don't know what the future will be; but obviously it is very good because you have a lot of fine enlisted men and noncoms that you want to keep. Maybe there is some way you can pick out the best of them. I'm not sure.

Another thing that I would like to ask you about that worries me a lot. I know there is a lot of griping in the military. There is always a lot of griping. That is something you can't escape. It is innate in human nature. Sometimes it is greatly exaggerated, but sometimes it is on target and we have to address it. There is so much conversation about it. We have to be sure we are being fair in the health programs of our country, particularly for the military.

I think as a practical matter it is less than it was a while back, no question about it. The quality of the officers that I have met and the enlisted men, and I have just come back from a military hospital, is very, very high. It is very good and I feel very deeply grateful for these people's services, but it is not very available to a lot of people and there is some disconsent.

Is there any way that we can make it more definite to get the things they really would like to get? Is there some program we could do to clarify this so we could eliminate the foundation for the griping?

Admiral CARLSON. Yes, sir. Our Surgeon General, of course, is quite sensitive to the quality of care that he specifically provides, since that is his charter. The Navy leadership as well is equally committed to providing quality medical care, and contrary to the occasional story in the press, we think we are providing a high quality of medical care.

Our statistics show that the quality of care is much superior in the military than it is in the civilian sector, except that they have malpractice suits. Typically, when you settle such suits you agree you are not going to talk about it. Therefore, you don't read nearly what you do in the press about the civilian sector as you do of the military.

One of the things I have to do is to try to keep improving the morale. I thank you for your positive comments, sir, on behalf of the people who are the medics and who are serving. I tell the CO at the Naval Hospital in Bethesda that he is doing a terrific job, his people are doing a terrific job and to quit reading the paper and your morale will be a lot better. I think the quality of medical care is not what you would derive from reading the paper. It is far superior to that.

Now, are the lines long in some places? They are, because our military medicine is not designed to support solely the dependents.

It is designed to treat people who are injured in time of war. Therefore, sometimes we are not quite as responsive as we might be. We are sensitive to that. We are trying to improve it. We are hiring civilians and trying to just do a better job, again within the limited end strength and dollar constraints that we have on those who we can hire in those fields. But military medicine is alive, well, and of high quality. I thank you for your endorsement of those people, sir.

The CHAIRMAN. Mr. Bustamante.

Mr. BUSTAMANTE. Thank you, Mr. Chairman.

I want to direct my comments to General Elton. In your statement that you submitted to us you, of course, recommend, like some of our other witnesses here, that we leave the retirement system alone, the retirement plan. Some of us think that there will be some changes and one of the recommendations that I have talked to the chairman about was if you are going to have a change in this area, especially for new entries, that we perhaps ought to look at, if we are going to go to the first 20 years on the high 5, that we perhaps go to at 25 years to high 4 and at 30 to high 3.

Would that be something that you would look at in a favorable manner, or what would your comments be on that? I will start with General Elton.

General ELTON. Well, sir, we would be happy to take a look at that and see what the modeling tells us. I believe we have looked at options of this type, especially in the Fifth Quadrennial Review, where they looked at many, many different options.

We found as we did this work very carefully with the Secretary of Defense that of all the options, the two that were submitted were the least undesirable.

Mr. BUSTAMANTE. The reason I am doing this and I am suggesting this is because of the incentive that when they are at 25 they go to a high 4 and at 30 a high 3, which is the same as we have it now.

General ELTON. Yes, but at any rate, we felt that these were the least damaging.

One other thing, however, has not been mentioned—or touched upon. We would hope that if a change is made that we would then be able to move back to the committee with some recommendations for restoral of the force. These would cover a number of different options which would work, perhaps with selected reenlistment bonuses or things of that nature to help us out.

Mr. BUSTAMANTE. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. General Elton, are you suggesting that we pass restoral to the force legislation now, even though the people likely to be affected, we are not talking about the people being affected until 11, 12, 13 years from now?

The change in the retirement affects new entrants, so there is no need to restore, you have reenlistment bonuses and other restorals until they come up at the critical point; is that correct?

General ELTON. That certainly is one way to look at it, Mr. Chairman. On the other hand, we have no idea how our present force is going to react when the change is made.

The CHAIRMAN. It should not affect them; it does not affect their retirement.

General ELTON. I know it does not affect their retirement, but what they are telling us by not reenlisting is that they are not sure what will happen in the future. Therefore they are going to take the option of leaving with the protected retirement now.

The CHAIRMAN. It sounds like we ought to make it apply to the current force. If we are going to lose the people, we might as well save them money.

Mr. Hunter.

Mr. HUNTER. Thank you, Mr. Chairman.

Let me ask a question that Mr. Montgomery and I are kind of concerned about, and I will ask Sonny to clarify it if it needs to be. Is there a caveat that is placed on the GI bill now, that it may not be available in October, something like that?

General ELTON. Well, we have not put any caveat as yet on our advertising, but the defense budget has been submitted without funding for an educational incentive in fiscal 1987. We have no program in fiscal 1987 today.

Mr. HUNTER. So are you going to be putting the caveat forward?

General ELTON. We've been asked as of the 1st of June to put one on the advertising.

Mr. MONTGOMERY. Mr. Chairman, will the gentleman yield?

Mr. HUNTER. I yield to the gentleman.

Mr. MONTGOMERY. Then if you are going to put it on the GI bill you would have to put it on everything, you would have to put it on your recruitment, you would have to put it on your special skills that you might offer to the recruits. You would have to put it on all military advertising. You just could not pick out the GI bill.

General ELTON. What we have been asked to do is on those advertisements that touch specifically on the GI bill to put a caveat to the effect that this offer may not be available subsequent to October 1, 1986.

Mr. MONTGOMERY. Well, you are going to have to do it on everybody. But they have not requested that, isn't that correct? On the ad that you bring in where you say, "We will teach you a skill," under the Gramm-Rudman and other budget restraints, if you put it on the GI bill it looks to me like you would have to put it on all Army recruiting, whatever you throw out there.

General ELTON. Sir, all of us will have to do this, all of the services plus joint advertising will have to do it.

Mr. MONTGOMERY. Thank you.

Mr. HUNTER. Certainly.

Let me ask you gentlemen something. We have been wrestling with this retirement thing and we are going to have to make some decisions on it. I have an idea I would like to bounce off you.

What type of Reserve commitment and how long is the Reserve commitment of a gentleman or a lady who retires after 20 years of service?

Admiral CARLSON. Enlisted men become part of the Fleet Reserve and they are subject to recall. So they, in effect, are already in reserve. The law says we can expect an officer to serve 40 or more years up to age 62, unless excused by the President or the Secretary of the Navy. When he goes out at 20 he has an inherent obligation that in time of conflict he comes back and that, in fact, exists even now. For instance, during World War II and subsequent

conflicts in which we initiated a recall, we recalled many retired people.

Mr. HUNTER. OK, age 60 for enlisted and an officer has an additional 20 years essentially. What status is his Reserve status? Is he on Active Reserve?

Admiral CARLSON. He is getting a retainer pay and for that he stands ready to be recalled if we need him. If he retired after 20 years or retired after 30 he still has an obligation and is subject to recall.

Mr. HUNTER. OK. But he is not part of what you would call the Ready Reserve, the guys who go out and do weekends and such as that?

Admiral CARLSON. No, he is not.

Mr. HUNTER. OK. What I was wondering is simply this: Those folks who have got the training, we would desperately like to come up with something that is not going to require a base cut, lower than 50 percent, for example for 20 years, the COLA reductions, et cetera.

What is the possibility of attaching a Ready Reserve obligation to the officers and men upon their departure from the Active Force and maintaining that for say 5 to 10 years?

You have a skilled, trained group there, some of whom have $200,000 or $300,000 worth of training apiece invested in them. I think a lot of them would not mind the idea of doing a couple of weeks a year, whatever the Reserve obligation is.

Admiral CARLSON. I think what you are talking about, sir, is readiness. That is going to have a severe impact on readiness because you are going to age the force. If you think these people are ready—the E–5 at 58, when you say, "Charge that hill," he will only go part way up. He has to rest. So that is not a ready kind of fighting force.

Mr. HUNTER. Admiral, let me tell you something. As a guy who was one of the boys over there in the boonies supported by I think 10 support people per guy who was in the field, I have yet to see a Navy guy charge any hill, and I think some of these gentlemen—you know, I heard the same argument.

I saw Chuck Yeager come in and testify about the capability of people to fly airplanes and do a lot of other things when they are 65 years old. I think those people are the best of our service people, the 20-year guys and the 30-year guys. Most of them are in good shape. They have immense knowledge.

We win these wars today with technological prowess, not just the ability for some young pup to go up a hill. I think it would be a good asset. I am trying to come up with something that would allow you guys to keep a good retirement for your people. I do not think they would mind going to camp a couple of times a year. They have already got $300,000 worth of training invested in them. That is a lot better. I think that guy is a lot more effective than an accountant or a lawyer who goes to camp a couple of times a year, a guy who has really been on a ship and maybe in a conflict. Is that a possibility?

General ELTON. Mr. Hunter, may I address that?

From the Army's point of view, that is a possibility as long as we are able to select the skills and the jobs for which these people would be selected.

We have about 250,000 retirees now and we have 130,000 of them walking around with orders in their hip pockets to come to active duty upon mobilization.

Mr. HUNTER. I understand that. What I am saying is we have a certain Reserve requirement that we are paying for. We are paying good dollars to go out there. I see accountants and lawyers and other people in San Diego undertaking this Reserve obligation. They are getting paid for it. My point is, you have retired people, people who are retiring who really do not mind doing a few things with their service each year. They already have the skills.

In other words, obviously, you take a guy who is a mechanic on a certain piece of weapon system and you put him in that same slot as a retiree, I mean as a Reserve officer, but you could put those people in a ready Reserve status that would eliminate some of the requirements of going out and drafting the public accountant, the lawyer and this other guy, and all the advertising that goes with that and the training that goes with that, and you have a guy who has actually done it for Uncle Sam and probably would, if he had the choice between going on ready Reserve or just going on this standby, "We will call you if World War III happens," you know, I guess we are all in the same thing, anybody who has been in has got that, I think they probably would like to keep their pay a little higher and keep the ready Reserve. Is that a possibility?

Do you get what I am driving at? I am talking about them displacing the ready Reserve.

General ELTON. Yes, sir. I think there is an option to look at that and we ought to take a look at it.

Mr. HUNTER. We don't have much time. What is it, 2 o'clock we vote?

The CHAIRMAN. Somewhere on the order of 3 to 7 minutes, depending on how many questions people ask.

Ike Skelton.

Mr. SKELTON. Thank you, Mr. Chairman.

I would like to talk about Admiral Carlson's favorite subject, end strength. Let me run over these very quickly because there is, as you know, a serious problem hanging over our heads vis-a-vis the budget deficit, Gramm-Rudman and all that goes with that.

I not only address you, Admiral, I refer to all of you. But I understand the Navy is requesting 11,400 additional end strength. You have been kind enough to explain to me on your own time the rationale for that. Marine Corps, 1,500, is that right, General?

General CHEATHAM. Yes.

Mr. SKELTON. Air Force, 700 and the Army, General Elton is seeking to stay at the same force level that it has been.

Let me ask each of you: As a preference, General Abramson comes over with, "We have to have the $4.7 billion for the SDI, we have to have it," excellent persuasive argument.

Admiral McKee comes over with his arguments as to why we have to have the long lead time on the systems he is working on. General Wagner, very persuasively, talks about his particular programs in hardware, the Army and all the services.

We have a tremendous problem of prioritizing. I would like for you to fit yourselves into that prioritization equation as you best can in light of the Gramm-Rudman proposals.

Admiral.

Admiral CARLSON. Yes, sir. The end strength, of course, as you and I have discussed, is critical to us manning the ships which have been authorized, appropriated and are joining the fleet in numbers I talked about in my opening remarks. Those people are necessary for us to fulfill the mission which we have been assigned.

Of course, it is very hard for any of us to not be parochial. We are the personnel chiefs so that is what we are interested in. But I think, as well, anyone would agree that the people are readiness and that people are the force. If you do not have the people you can have the best gear in the world but the ship will be tied to the pier, the aircraft grounded, the fighting vehicle parked, or what have you. If you do not have the trained, dedicated people to man the weapon system then you do not have anything.

So, clearly, all of us, I think I speak unanimously for us all, come down on this: We have got to have the people. For that reason, those of us who are asking for added end strength do so to sustain the readiness that we enjoy now.

Mr. SKELTON. In light, though, of the Gramm-Rudman proposal, have you looked at this in light of that situation?

Admiral CARLSON. Yes, sir. It is quite frightening. We view it as the giant bear trap that has been set ready to spring shut on any vital part, should sequestering be implemented. We are hopeful that the President's budget will be enacted, of course, which will obviate any of those provisions from becoming effective.

Mr. SKELTON. I don't think that is going to happen, that is the trouble.

General Cheatham.

General CHEATHAM. I cannot add very much more except there is no problem as far as priorities with me. The Marine Corps spend in excess of 60 percent of its total budget on manpower account. We are manpower intensive. Our first priority is quality people.

Mr. SKELTON. General Shaud.

General SHAUD. Sir, really there is a two-part answer to that question. First of all, we demonstrated discipline in our 730 manpower request. It came from a requirement of some 9,100. But we have boiled that down through program efficiencies, military to civilian conversions and productivity improvements. So that is step 1.

Step 2, if we have to take cuts it would be done in a balanced way. We do not want to take a nonprogrammatic cut because at that point your folks will be doing more with less and you will be leaning on the people, the high quality folks who are staying with you. So we have to do it in a balanced way.

Mr. SKELTON. General Elton, let me put the same question to you and also let me remark that the Army has not requested additional end strength for 3 years now, is that correct?

General ELTON. Yes, sir.

Mr. SKELTON. What does that tell us?

General ELTON. Sir, what we decided to do was to ask General Wagner to come over here and be as persuasive as possible with

regard to modernization programs. The Army decided we would hold the force structure that we have and once and for all get after modernization, looking to trade off internally those changes of structure that were absolutely needed to accomplish our strategy.

We have lost none of the commitments overseas. We have reviewed and reviewed the threat in conjunction with the other services and feel that what we have in the way of active and growing Reserve structure is what we desperately need in order to meet those obligations.

So if there is any change in that that is going to cause a giant wrinkle in that whole program.

Mr. SKELTON. Thank you, Mr. Chairman.

The CHAIRMAN. Pat Schroeder.

Mrs. SCHROEDER. Thank you, Mr. Chairman. I apologize. Having three hearings simultaneously I am never focused anywhere for very long. But I do want to just implore all of you to do anything you can to help us with the family programs.

We think we need even more, but I still don't see the commitment I wish I saw in the Secretary of Defense, and maybe you do, but I hope you will stay on top of that.

Admiral Carlson, I would just hope that at some time you look at assigning women to your mobile logistic support force ships. In your testimony you talk about a need for growth in the shore establishment to maintain the reasonable sea-to-shore rotation. Those have been designated as noncombat. I know there have previously been arrangements to assign women and they were not. I hope you will review that, or at least will get to us on why you don't think that is adequate.

Basically, I just want to end by saying I support totally what Congressman Montgomery has been trying to do in the GI bill. He has been up here putting together some more things. Let me just yield to him the remainder of my time, Mr. Chairman, if that is OK, and I will put ditto marks under his statement.

Mr. MONTGOMERY. Thank you, Pat.

General Elton, under the President's budget, it proposes to repeal the new GI bill and replace it with VEAP, the old veterans' educational program. My question to you is, if the Congress required the VEAP kickers to be funded on an accrual basis as well, would the budget reflect any savings from the repeal of the active duty portion of the GI bill?

General ELTON. I do not believe it would, if they are both required to be funded on the accrual basis I do not think there would be much difference.

[The following information was received for the record:]

ARMY'S GI BILL BUDGET

The earlier testimony concerning the Army's GI Bill budget is in error. The Army requested $95.1 million to pay kickers to active duty soldiers and $96.4 million to pay basic benefits to reserve component soldiers. These programs are funded on an accrual basis. The Army's FY 1987 military personnel budget request contains those funds.

The Veterans' Administration pays basic benefits to active component soldiers on a cash basis. No active component soldiers are expected to apply to the Veterans' Administration for benefits prior to July 1, 1987.

Reserve Component soldiers become eligible for benefits once they have incurred a six year obligation in the Selected Reserve, possess a high school diploma or equivalent, have completed 180 days of service in the Selected Reserve and have completed initial active duty training (IADT). As of January 21, 1986 over 8,600 members of the Army Reserve and Army National Guard had applied to the Veteran's Administration for benefits.

Should the administration's proposal to terminate the new GI Bill on September 30, 1986, be approved by Congress, funding would be reduced. The President's budget reflects this reduction in Defense-wide legislative contingencies.

However, personnel entering active duty during FY 1987 who were in the Delayed Entry Program prior to October 1, 1986, and offered the Army kicker, would retain eligibility for the New GI Bill. Selected Reserve individuals who enlisted for six years prior to October 1, 1986, would also retain eligibility for the New GI Bill authorized in Chapter 106 of Title 10 United States Code. Consequently, that portion of the funds in the Army's budget request which would fulfill those enlistment contracts would still be required.

Mr. MONTGOMERY. So it would not make much difference. If you did repeal there would not be any savings, there wouldn't be any savings to the Defense Department. That is my point.

General ELTON. I don't believe there would, if they use the same accounting system.

Mr. MONTGOMERY. I agree with you, if you use the same accounting system. Then what you ought to do, it doesn't make any sense to repeal the GI bill and go back to the VEAP, which is not working at all. The Air Force had 60 percent of the people sign up for it, and now they have 50 percent under the GI bill.

My last point is if the VEAP were accrual funded the Department of Defense would be getting a good bargain with the new GI bill because the Veterans' Administration is paying for the basic benefit. I don't believe any of you fellows ever were used car salesmen or something out there, because this is a good deal for you and they are working against it. Do you see my point? The Veterans' Administration is paying for the GI bill. You are not even paying for it. Not you, but the people up at the higher echelon, they are fighting it.

General ELTON. I guess, Mr. Montgomery, I am not quite sure the direction of the question; however, we believe that the Veterans' Administration should continue to pay for that. They have in the past.

Mr. MONTGOMERY. I agree with you. We would like to keep it. It is an educational program that is controlled by the Veterans' Administration. They have it in place to administer it. My point is, if you go back to the VEAP program, which the President is asking for in the 1987 budget, that is going to add to your budget costs, and you are going to have to pay for that under the DOD, whereas now the Veterans' Administration is paying for the GI bill.

So you are losing, that is what I am saying. You are adding to your costs if you have to go back to the VEAP program.

Thank you.

The CHAIRMAN. Thank you. Thanks to all the members of the committee.

I would like to thank the gentlemen who testified before us this morning for a very informative and very helpful session.

Thank you very much for coming.

The following question was asked of Admiral Carlson to be answered for the record:]

Components of Force Structure

Question. Please provide, for the record, the manpower composition for the major components of force structure for each service. For example, what is an Army division slice? How many people are associated with an active Army heavy division, *including* a separate breakout of the different types of support tail? An Army light division? A Marine division? A tactical fighter squadron? A carrier battle group? These are simply examples and are not meant to be all-inclusive.

Admiral Carlson. The two major components of Navy force structure are the Carrier Battle Group (CVBG) and Battleship Battle Group (BBBG). The units which comprise these components, with their associated manpower, are shown below. Manpower is based upon FY-90 levels and all units are manned from 92 to 95 percent of Manning Document requirements.

CVBG

	Number	MPN per unit Off/Enl	Total MPN Off/Enl
Unit:			
CV/CVN	1	152/2900	152/2900
CG-47	2	24/342	48/684
CGN-36/38 (or DDG-51 [1])	2	37/555	74/1110
DD-963	2	18/318	36/636
AOE (or AOR [2])	1	23/584	23/584
SSN-637/688	2	13/118	26/236
Carrier group staff	1	21/31	21/31
Embarked air units:			
F-14 squadron	2	35/256	70/512
FA-18 squadron	2	24/209	48/418
A-6 squadron	1	38/261	38/261
EA-6B squadron	1	27/185	27/185
E-2 squadron	1	31/145	31/145
S-3 squadron	1	43/256	43/256
SH-3 squadron	1	25/167	25/167
VQ DET	1	5/25	5/25
Air wing staff	1	15/19	15/19
SH-60B detachment	6	4/12	24/72
SH-2F detachment	1	4/11	4/11
CH-46 detachment	1	6/21	6/21
Total CVBG			716/8263

[1] Subtract 30/546 from total if DDG-51 vice CGN-36/38.
[2] Subtract 3/144 from total is AOR vice AOE.

BBBG

	Number	MPN per unit Off/Enl	Total MPN Off/Enl
Unit:			
BB-61	1	68/1452	68/1452
CG-47	1	24/342	24/342
DDG-51	3	22/282	66/846
AOE (or AOR [1])	1	23/584	23/584
SSN-637/688	2	13/118	26/236
Group staff	1	25/32	25/32
Embarked air units:			
SH-60B detachment	4	4/12	16/48
CH-46 detachment	1	6/21	6/21
Total BBBG			254/3561

[1] Subtract 3/144 from total if AOR vice AOE.

Major components of force structure (CVBG/BBBG) are tactical organizations configured to meet specific operational tasks. These highly mobile, deployable forces

rely on a wide range of logistic support from shore installations world wide. While homeport installations provide support they do so across all levels of force structure and on a rotational basis to the major force components. For instance, Naval Station Norfolk supports portions of four battle groups as well as its internal activities. Moreover, multiple locations lend support to subcomponents such as air squadrons from Naval Air Station Oceana and Cecil Field teamed with destroyers from Naval Station Charleston and Mayport. Economies of scale and major component support for base activities when in port further complicate the structure. Consequently, a discrete support tail for major components of force structure is not readily identifiable. In general, Navy teeth to tail ratio is increasing and will continue to do so across the five year program.

[The following additional statements were submitted to be inserted in the record:]

STATEMENT OF THE RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

Mr. Chairman and Members of the Committee:

The Reserve Officers Association (ROA) appreciates being provided this opportunity to express the gratitude and concerns of the Association and to comment on the needs of the Reserve forces.

In the past years, ROA has recommended Congressional action to provide better and more modern equipment and training for Reserve forces as an economical way to maintain adequate armed forces in a dangerous world. Today that recommendation is equally valid and has added urgency.

It is well known that Reserve forces are the most economical source of units when they are properly equipped and trained. At a time when the defense budget is under heavy attack, it would appear to be appropriate to increase reliance on Reserves, and that means providing them with suitable equipment and adequate training.

We wish to thank the Congress for the significant gains made in modernizing the equipment of the Reserve forces during the past five years. To a large extent, this has been the result of Congressional initiatives, not Pentagon budget requests. We are concerned that in the face of severe budget constraints, the Reserve forces will be expected to accept an across the board "share" of cuts, while at the same time assuming more missions. It is our contention that the Reserve forces should receive more funds when the active force is cut, not less. Traditionally, force structure is transferred to the Reserves to preserve it for future contingencies, but in a less expensive component. The saving is made by placing it in the Reserve. However, mission transfers are not always accompanied by essential manpower required to

effectively manage force growth, nor the equipment necessary to assure maintenance of combat capability, nor the funding to train the force to required readiness levels. If, having served as the vehicle for attaining a cheaper force structure, subsequent budget and manpower cuts are applied equally to the Reserve as for the active forces, combat capability and readiness must suffer. We urge the Congress to recognize the inherent savings in the Reserve force structure and to assure that essential manpower, equipment and operating funds be appropriated to preserve the required combat capability for the Total Force.

ARMY RESERVE

ROA is pleased to have this opportunity to discuss the plans and programs of the Army Reserve for FY87 and the years to come. These are times of great challenge for the Nation and for the Total Army. The threats to our national interests continue to grow and the missions of the Total Army expand to meet these threats. The Army's Reserve Components, the Army National Guard and the Army Reserve, provide the flexibility which the total Army needs to meet its expanding mission. When the Army determined to cap its active duty strength at about 780,000 and to concentrate its available resources on post-Vietnam modernization, it did so based upon the confidence which its leaders placed in its Reserve Components. It was the competence, professionalism, and growing mobilization readiness of the Guard and the Reserve that made this decision possible. Appropriate missions were transferred from the Active to the Reserve Components, and the total Army's reliance upon its Reserve forces grew proportionately. The Total Army's increasing reliance upon and support of the Army Reserve has not been misplaced.

In FY85 the end strength of Army Reserve troop units exceeded

program by more than 6,300 soldiers. In FY87 the Reserve expects to build upon that success and achieve a unit end strength of nearly 300,000. This growth will enable the Army Reserve to meet Defense Guidance of 90 percent of its unit strength trained and deployable by 1990 at the end of FY87. The Reserve fully expects that this growth will significantly improve its mobilization readiness and warfighting capability.

The Army Reserve's ability to meet these desired strength levels will be highly dependent upon the resources provided to the Selected Reserve Incentive Program (SRIP); therefore, ROA fully supports the enlistment and reenlistment incentives programs for the Reserve. Such programs are extremely important in light of the declining pool of non-prior service manpower.

The Army Reserve's FY87 budget requests an increase of 1,500 Active Guard and Reserve personnel. The increased tempo of Army Reserve training and the significantly shortened response time associated with today's Army Reserve minimization missions demand a much higher level of training readiness than has ever been required in peacetime in the past. This level of readiness cannot be effectively attained and maintained with the limited number of full time personnel who have supported part-time Army Reserve unit personnel in the past. To a large degree, it is the availability of full time personnel to support Army Reserve units that makes it possible for the Army leadership to consider increasing their mission responsibilities. Army investment in full time support for the units of the Army Reserve will pay significant dividends for the Total Army and the Nation.

ROA was pleased to see the full development of the Army Reserve

Personnel Center (ARPERCEN) as a Field Operating Agency of the Office of the Chief, Army Reserve. ARPERCEN is challenged to maintain, and increase, the proficiency of the over 310,000 Individual Ready Reserve (IRR). The Army IRR is the nation's largest pool of deployable, pretrained individual personnel and requires a broad range of meaningful and realistic training. These soldiers are available for mobilization and bring the total Army to its wartime strength. To ensure continued strength maintenance in the IRR, ROA recommends Congressional authorization and funding for all IRR programs.

ROA continues to support the USAR Individual Mobilization Augmentee (IMA) program. IMA's are members of the Selected Reserve assigned to units of the Active Army and other agencies. IMA personnel fill vacancies that are not authorized in peacetime but become critical upon mobilization.

In considering the requests for the funding for Army's Reserve Components, the committee should bear in mind that the Reserve Components represent much of the flexibility that the Total Army requires to meet its mission commitments in these days of constrained resources. Any reduction in these already limited funds will have a disproportionate effect upon the Reserve's ability to fulfill its mission.

NAVAL RESERVE

As ROA has often stated during the last few years, the support and direction provided by Secretary Lehman and the CNO, Admiral Watkins, have led the way in significantly upgrading the Naval Reserve as a fighting force. The Navy is to be highly commended for these initiatives. Several years ago, the Navy's support for, and

appreciation of, the Naval Reserve was, for all practical purposes, non-existent. While problem areas still exist, tremendous strides have been made during the past few years. ROA strongly urges continued Congressional support for the Naval Reserve initiatives contained in the FY87 budget request.

PERSONNEL

The Administration proposal to attain 127,328 Selected Reserve (Category A) end strength by the end of FY87 is strongly supported by ROA. This number represents an increase of 9,119 (seven percent) over FY86 and will put the Naval Reserve paid strength at 97.5 percent of wartime requirements. The current Navy plan calls for a Category "A" Selected Reserve strength of 136,738 by the end of FY91, an increase of over 37,000 from the plan submitted four years ago. A truly remarkable turnaround!

Accordingly, ROA strongly urges approval of the Reserve Personnel Navy (RPN) funding request of $1.528 billion which will support an FY87 Naval Selected Reserve (Category A) end strength of 127,328, (average-strength, 121,392).

Even with increased personnel strength in the Naval Reserve, the manning of high priority units, particularly the NRF ASW ships, remains a problem. A significant contributing factor to the manning problem is the rigorous training and long hours spent by the Reserve crew when the NRF ship goes to sea for the entire weekend, leaving port Friday night in many cases. In contrast, most drilling Reservists perform eight hours of drill on Saturday and eight hours on Sunday. They are free to return home, or whatever, during non-drill hours. In addition to the eight hours of training which takes place

during the working day, watches must be stood around the clock when the ship is at sea. For this relatively arduous duty, the NRF Reserve crew member receives no incentive, except the "joy of going to sea." Even with mandatory assignment, Naval Reserve frigate SELRES manning, as of December 1985, was only 87.3 percent. The high turnover rate, which currently occurs on NRF ships, further exacerbates the problem.

Accordingly, the Navy has included proposed legislation to amend 37 USC, "...to authorize payment of incentive pay to enlisted personnel of the Selected Reserve who participate in certain units as designated by the Secretary of a Military department..." This proposed legislation would provide incentive pay of up to $10 per drill to those enlisted Reservists in units so designated--which would amount to $40-$50 per drill weekend. Such an additional amount seems somewhat minimal in today's economy; however, a study conducted by the National Defense University indicates that a $10 per drill incentive would significantly improve drill attendance and increase NRF ship readiness. With the steadily increasing number of modern, front line ships entering the Naval Reserve, creating even greater reliance on the NRF, full manning of these ships is a most critical need.

This incentive was approved by the House last year but fell out in the Authorization Joint Conference. ROA again strongly urges passage of this legislative proposal and also recommends that the requested FY87 funding level of $2 million be approved.

The FY87 RPN budget submission also requests an increase of full time support active duty (TAR, TEMAC, & 265 Recall) personnel from the FY86 level of 19,010 to 23,197. This increase of 4,187 represents necessary support for the rapidly growing Selected Reserve force;

increased Reserve recruiting requirements; the growing ASW frigate program (mandated by Congress to be manned approximately 50 percent TAR - 50 percent SELRES); and aircraft squadron transitions to new, more sophisticated aircraft. (The FY87 growth request appears somewhat exaggerated because FY86 Congressional action approved 500 FTS fewer personnel than requested.) ROA recommends that this requested increase in full time support personnel be approved.

Along with this increase in full time support personnel, ROA also recommends approval of the requested TAR Selective Reenlistment Bonus. This bonus will be targeted at expanded ratings for NRF ships. While it will provide greater equity with USN shipmates serving on the same NRF ships, the amounts paid will still be less than that given USN personnel, since the NRF ships do not deploy. Such a bonus must be approved if the enlisted TAR community is going to attract the critical ratings necessary for Reserve ship and aircraft squadron manning.

While not debating the pros and cons of various full-time management programs — AGR, Technician, TAR, etc.; ROA, nevertheless, recognizes the fact that the TAR program is far different from the other full-time management programs. True, enlisted TARs do not normally deploy overseas; however, they do go to sea and are subject to routine re-assignments, with accompanying PCS moves, as are their Regular Navy counterparts. In no sense of the word can TARs be considered "Homesteaders!" Accordingly, when bonuses and other incentives for full-time support (FTS) personnel are debated, the differences in TAR assignment policies, from those involving other FTS personnel, should be recognized. Enlisted TARs in high technology and mobility ratings will be readily marketable in the private sector.

Accordingly, ROA is convinced that, as with their Regular Navy counterparts, bonuses and other incentives will have to be paid to retain these personnel in the quality and quantity required.

As was the case with the $10 per drill incentive pay, a TAR Selective Reenlistement program was approved by the House in FY86, but fell out during Joint Conference deliberations.

One final personnel item involves HR 1441, introduced by Congressman Montgomery on 8 March 1985, added as a floor amendment to the FY86 Senate DOD Authorization Bill, but dropped during Joint Conference. ROA strongly supports the intent of this bill which would authorize an increase in the maximum number of Deputy Chiefs of Naval Operations (DCNO) from six to seven in order to provide for a DCNO (Naval Reserve). ROA is absolutely convinced that this change is essential to institutionalize the gains that the Naval Reserve has made over the past six years -- gains made primarily because of the personal efforts of the current Secretary of the Navy and the current CNO. Such an organizational change would enhance the ability of the incumbent, regardless of personalities, to obtain support for the Naval Reserve within the Navy, particularly during budget development.

It should be noted that such an increase in the number of DCNOs will not increase the total authorized number of flag officers or the number of three star or above authorizations for the Navy. This "red herring" kept surfacing last year during Congressional discussions and probably led to the defeat of the proposal during the FY86 Authorization Joint Conference.

ROA would hope that such assurances, coupled with the fact that the incumbent is now a Vice Admiral, would suffice and that this

necessary organizational change would be passed, or included in the DOD Authorization Bill, this year.

ROA considers this measure necessary, regardless of the final outcome of overall JCS/DOD reorganization efforts.

MARINE CORPS RESERVE

The Marine Corps Reserve is a major factor in the Total Marine Force, contributing one-fourth of the structure and one-third of the trained manpower. As has been the case for the last few years, the Marine Corps Reserve manpower requirements appear to be well provided for in the FY87 budget request.

ROA compliments the Marine Corps on their continuing recognition of the Reserve contribution and on their consistent support of the Reserve component. The Marine Corps Reserve Budget has reflected real growth every year since FY78. This support has enabled the Marine Corps Reserve to meet and usually exceed the OSD Program Guidance. Accordingly, ROA strongly urges approval of the Reserve Personnel funding request of $314.8 million which will support an FY87 Marine Corps Reserve Selected Reserve end strength of 44,400 (average strength 42,800), an increase from the FY86 levels of 43,019 and 41,900 respectively.

ROA also strongly supports the newly established Marine Corps Reserve full time support program. Prior to 1984, such support was provided by regular active duty Marines. However, as is the case with all other Reserve Components, the Marine Corps recognized the value of utilizing a number of Reserve personnel to assist in organizing, administering, instructing and training the Reserve. The program

started with 803 personnel in 1984, includes a requested increase of 307 in FY87, and is programmed to grow to over 1700 in 1989. We strongly urge Congressional support of this effort.

COAST GUARD

Finally, I would like to briefly mention the concern of NOA about the Coast Guard and Coast Guard Reserve. Except for authorizing the strength of the Coast Guard Reserve, this service is not specifically a responsibility of the Armed Services Committees. Nevertheless, the Coast Guard plays a significant role as one of our five Armed Forces. Certainly, the military readiness of the Coast Guard should be an item of concern to the Armed Services Committees of the Congress.

The Coast Guard's capability to carry out wartime taskings is a matter of well known serious concern. These shortcomings have been set forth time and again in magazine and newspaper articles, in GAO reports, and in Congressional oversight reports. None of these independent evaluations appear to make any significant impact on the Administration.

Even the Congress, particularly the Senate, which generally recognizes the Coast Guard problems and helps out, became a part of the problem in FY86. Only at the last minute were the Senate and House able to agree so that the Coast Guard was able to avoid a initially proposed Senate reduction of catastrophic proportions.

We are pleased that the Administration has recommended a 500 person increase in the Coast Guard Selected Reserve - from 12,500 to 13,000. However, this minimal increase hardly responds to an

established mobilization requirement of 27,400. A Selected Reserve which constitutes only 47 percent of mobilization requirements is a long way from matching the Department of Defense program to man all of its Reserve forces at 100 percent of mobilization requirements by 1988.

ROA strongly recommends that this subcommittee recommend authorization of the requested increase. Additionally, however, we recommend that the Coast Guard be directed to move move rapidly towards matching the DOD goal of 100% SELRES manning. During the last six years, DOD Reserve Components have increase in personnel strength by more than thirty percent. Duirng the same period, the Coast Guard Reserve growth has been less than six percent! This is another example of neglect by the Administration and by many in Congress. The Coast Guard is our Fifth Armed Force -- it deserves to be treated as such!

As a further example, the Administration did not include one penny in the budget to support the 500 increase. ROA estimates that an additional $2 million is necessary to support this requested, and very essential, increase.

ROA wishes to hoist an urgent warning against current pressures to privatize a wide range of Coast Guard activities. The concepts are not new; they just carry different labels. Not too many years ago there were moves to "civilianize" the service; then came pressures to contract out services through the so-called "A-76 Process;" and now, privatization.

The Coast Guard roles have been consolidated, reduced, expanded, surveyed and heavily scrutinized by both external and internal reviews

over the years, and always have been determined to be in the public interest. ROA is very concerned that privatization will be pushed without regard to the adverse impact it may have on national security missions.

The Coast Guard provides this country with a ready, highly-specialized, professional military force in position to support or link-up with the other Armed Forces if the nation must be defended -- ready on a 24 hour basis to go anywhere, in a moment's notice. As ROA has noted on many occasions, the JCS War Plans call for the Coast Guard to perform a variety of functions, many overseas, in a national emergency. In many such mission areas, the Coast Guard, alone among the Armed Forces, posseses the sole capability and expertise. The loss of any significant portion of these missions through privatization must result in a loss of platforms and personnel necessary for mobilization, as well as loss of peacetime training platforms. Such action would clearly adversely impact our national security.

ROA solicits your support in the maintenance of a Coast Guard which is fully manned, trained and equipped to meet both its peacetime and wartime missions. It is imperative that the Coast Guard and Coast Guard Reserve be fully prepared to meet their statutory military duties as prescribed in 14 U.S.C. 1, which provides for the Coast Guard to be "...a military service and branch of the Armed Forces of the United States at all times."

Further, ROA would ask that the members of this subcommittee initiate efforts to ensure that the Commandant of the Coast Guard testifies annually before the Armed Services Committees concerning the capability and readiness of the Coast Guard to fully carry out its national security role.

AIR FORCE RESERVE

This year the Air Force Reserve (AFR) established an enviable standard by which to judge the quality of the Reserve portion of our Total Force. This standard was set when the AFR won all three Air Force worldwide competitions that it entered. AFR units were the overall winners in the international tactical airlift competition, the worldwide tactical fighter gunnery competition, and the Strategic Air Command's tanker competition. Additionally, AFR crews and units won numerous titles in subcompetitions such as weapons loading, maintenance, and individual gunnery events.

The Air Force Reserve has competed with the top units of the Air Force and won; it can truly be said to be a combat force second to none. As a former commander of the Tactical Air Command, General W.L. Creech, USAF(Ret.) said at the Gunsmoke awards ceremony they are ". . . the best of the best in the world, . . ."

One of the reasons for the remarkable success of the Air Force Reserve, is the modern equipment received in recent years that allows its units to compete on an equal basis with the active force. We thank the Congress for providing the funds for F-16 aircraft for the Reserve Gunsmoke winners, and C-130H aircraft for the Volant Rodeo victors. The true value of modern equipment is, of course, reflected in increased combat capability for all AFR units that are updated. We will see similar improvements in the capability of the Reserve F-4 aircraft as equipment improvements funded by Congress in the previous two years are installed.

We would like to point out, however, that action by the Armed Services Committee is necessary to authorize the funds that were appropriated for FY 1986, but not included in the Authorization Act.

These include the F-4 upgrades, 2 C-130H aircraft, and the funds for miscellaneous equipment urgently required for the AFR. We urge the Committee to take early action on a supplemental authorization bill.

A second factor in the high level of readiness and combat capability in the Air Force Reserve is the Military Technician program. We are convinced that for the Air Force Reserve and its particular situation, the Military Technician is the key to success. These dual status individuals provide day-to-day management and continuity to their units while performing as full-time AFR employees. As military members of their units, they train other Reservists during active duty and inactive duty training periods. The high skill level and stability of these employees is critical in sustaining the AFR's outstanding operational readiness.

To aid in maintaining the vigor of the Military Technician program, the Administration will shortly recommend changes to Title 5 USC to permit separation of certain "status quo" technicians as soon as they become eligible for an immediate retirement annuity. This is a counterpart amendment to Title 10 USC which was signed into law last year.

The third ingredient of the AFR's success is the high level of annual and inactive duty training participation. Whether as a unit member or Individual Mobilization Augmentee (IMA), the dedicated Air Force Reservist makes many sacrifices to serve our country. The family and employer also make many sacrifices to support the Reservist when he receives short-notice orders, extended duty and countless other hardships and inconveniences. We thank the Congress for the many initiatives accomplished in previous years to provide the necessary support to the individual Reservist and to the mission.

Again we urge that we not be pennywise and pound foolish in the face of this year's fiscal constraints. Modern equipment, meaningful missions, and realistic training are the foundation of the AFR's combat readiness. The Operations and Maintenance Appropriation provides the day-to-day operating money to carry out the Reserve mission, as well as the civilian pay for Military Technicians. Across-the-board cuts in these accounts, without regard to mission tradeoffs made to the AFR, will not serve the Total Force nor our common defense well. The continued expansion of the AFR in combat and mission support, as well as flying units, makes it imperative that the AFR not be apportioned a simplistic "share" of any cuts in Operations and Maintenance funds. The AFR, for example, provides 64 percent of the Air Force Aeromedical Evacuation Units, Aircraft Battle Damage Repair capability and Aerial Port Squadrons. The majority of the programmed manpower growth in the AFR is in these units. The requested growth in manpower, and operating funds is a direct result of continued AFR personnel and mission unit growth in fiscal years 1987 and 1988.

In summary, with your continued understanding and support, the Air Force Reserve will continue to provide a superb, cost effective, combat ready, fighting force. Exercises and real world contingencies have proved that all AFR units can mobilize in 24 hours and deploy within 72 hours. The AFR is ready, better and stronger than ever before; we ask that you provide the resources to keep it that way.

GENERAL PERSONNEL ISSUES

RESERVE OFFICER PERSONNEL MANAGEMENT ACT

The long-waited Reserve Officer Personnel Management Act (ROPMA) was forwarded to the Congress as an administration legislative proposal on 11 December 1985. It has since been entered as H.R. 4167. In general, ROA supports this proposal and urges the Congress to pass it during this session. Too many Reserve personnel items have had to be addressed on a piecemeal and recurring basis because of the absence of this comprehensive legislation.

We do request, however, that three subsections dealing with constructive credit for experience when appointing officers in the Reserve be restored. These subsections were in the original draft bill, but were deleted prior to submission to Congress*. They recognize valid needs of the Reserve components and would be extremely beneficial in assuring that critical specialties are filled.

RESERVE MEDICAL COVERAGE

ROA appreciates the giant strides that the Congress has taken over the past three years to equalize the benefits for Reservists and their survivors in the event a Reservist becomes ill, is injured, or killed while traveling to or from training or while participating in weekend drills or on tours of less then 30 days. The increased reliance that is being placed upon the Reserve Components, to include their insertion in hostile environments, has made it essential that this element of the force be provided equal medical, disability and survivor benefits. There are a few remaining areas that need to be addressed, such as the

*Draft bill subsection 596(b)(1.)(C), 596(b)(1.)(G), 596(b)(1.)(e), attached.

possibility that a Reservist, who is injured in his military job, can have his incapacitation pay terminated prior to being physically fit to return to his civilian occupation. This occurs when the Reservist is declared physically fit to perform his military duties but his civilian employer determines that the injury has not healed to a sufficient degree to permit him to return to his civilian occupation.

HEALTH CARE PERSONNEL

DoD continues to place increased reliance upon the Reserve Components to provide health care in a war time situation. In fact, it is estimated that more than 50% of all the personnel required to provide wartime medical care will come from the Reserve Components. In spite of this, legislation has not been submitted to provide special pay for Reserve Component health care professionals. When the 96th Congress enacted legislation to provide special pay for Active duty health care professionals, the Reserve Components were not included. ROA believes that a special pay incentive program would have the same beneficial effect on recruiting and retention for the Reserve Components that PL 96-284 had for the Active duty force. Legislation to address the shortages that currently exist in the Reserve component health care professional area should be delayed no longer if increased reliance is going to be placed upon the Reserve Components to make up the shortfall in wartime medical care.

GI BILL

All reports that ROA has received indicate that the GI Bill, which was passed two years ago, has been a great success. We were therefore quite concerned to note that continued funding for this program was not included in the administration's budget request this year. We hope that the Congress will take the necessary action to insure that the new GI

Bill program continues on track in FY87 and beyond. As with any new program, there is room for some modification, and we would like to see the legislation amended to permit participation in the program by Selected Reserve members who have earned a bachelors degree. In addition, the contribution schedule should be changed to permit a smaller monthly deduction over a longer period of time, and inclusion of a provision permitting refunds in appropriate cases.

COMMISSARY PRIVILEGES

In the FY84 DoD Authorization Bill the Congress directed the Department of Defense to conduct a test program in which a limited number of Selective Reservists were allowed, at their convenience, up to 14 commissary visits a year. The test was very favorably received by the Reserve community. Unfortunately, the test was allowed to end and this positive recruiting and retention factor was not made available across the board to all drilling Reservists. We encourage the Committee to reexamine the concept of permitting members of the Selective Reserve the opportunity to exercise their commissary privileges in the same manner that they currently use their post exchange privileges.

In addition, ROA believes that exchange and commissary privileges should not be lost to those who are transfered to the Retired Reserve after completing 20 or more of qualifying service. Reserves in this category are in a limbo status until they reach age 60 and become entitled to pay and the other benefits associated with military retirement. It would be a low-cost benefit to extend post exchange and commissary privileges to these pre-aged 60 Reserve retirees and, in addition, would serve as a valuable retention tool for the Reserve components.

MILITARY RETIREMENT

The FY87 Budget submitted by the administration eliminates the Cost of Living Adjustment (COLA) scheduled for 1 December 1986. In addition, the administration has proposed making future Civil Service retiree COLA's two percentage points below inflation, instead of being fully indexed. If enacted into law, this provision would apply to military retirees unless specific delinkage language is included in the legislation. ROA hopes the Congress will reject both the FY87 COLA freeze and the concept of a COLA minus 2% in the future. The erosion of the purchasing power of military retired pay must stop if faith in the system is going to be retained by those currently serving. If the value of the military retirement system, as part of the overall compensation package, is permitted to continue to erode, we are concerned over the impact this will have on the ability of the services to retain the quality and quantity of mid-career personnel needed to insure the combat readiness of our forces.

From the individual service member's point of view, retirement is part of the economic security package that the service member counts upon during his years of service with its attendent personnel and financial hardships. For the US Armed Forces, the retirement system is a vital manpower management tool which permits the retention of a young force with the experience and skills necessary to meet our worldwide national security obligations. The military retirement system has proved to be effective in being a force management tool and in providing a form of economic security for those who are willing to endure, for a minimum of 20 years; the hardships, the separations, the loss of many personal civil liberties, and the possibility of facing armed conflict. We urge this Committee to carefully evaluate the long-term impact that changes to the military retirement system can have. Judgement errors in this area can severly affect national security.

RESERVE COMPONENTS SURVIVOR BENEFIT PLAN

ROA is concerned over the impact the new two-tier Survivor Benefit Plan will have on Reserve Component participation. Under the old system a Reservist who paid maximum Social Security taxes each year in his civilian employment, and thus had no military pay contribution to FICA, was providing an unreduced annuity for his survivors. Under the new system the survivor of a Reservist who had no Social Security credits based upon military service will still suffer an annuity reduction from 55% to 35% at age 62. We believe that this arbitrary formula unjustly impacts on this group of survivors and recommend that the Committee reexamine the Survivor Benefit Plan changes made last year.

We would also like to point out that if a military SBP recipient remarries prior to age 60, the annuity ceases. Until recently the same was true for Civil Service. However, a change in the law permits a Civil Service survivor to continue to receive benefits if remarriage occurs as early as age 55. We believe that the same younger age should apply for both Survivor Benefit Plans.

Thank you for the oppurtunity to present ROA's views. Your support for the men and women in uniform, Active and Reserve, is noteworthy and sincerely appreciated. The ROA would gladly address any related questions you might have.

ISSUE PAPER
Constructive Service Credit
Under ROPMA

ISSUE: Should subsections (b)(1)(C), (G) and (e) of section 596 proposed by ROPMA be retained in this bill?

DISCUSSION

- The following proposed subsections were deleted prior to submission to Congress at OMB's request.

  -- 596(b)(1)(C). This subsection would allow credit in health professions based on special experience in a particular field. Without this subsection, nonprior service health profession appointments (i.e., nurses, health service administrators, bioenvironmental engineers) normally will be restricted to 2d/Lt. As a result, the Reserve components will not be able to recognize specialized experience in these areas of expertise.

  -- 596(b)(1)(G). This subsection would allow six months credit for lawyers who are members of the bar of a Federal Court or the highest court of a state or the District of Columbia. Without this subsection, nonprior service JAG appointments would be restricted to 1/Lt unless the Secretary determines that JAGS are critically short manned.

  -- 596(b)(1)(e). This subsection would allow credit for education, training or experience in specialized and technical areas. The proposal provides a basis for commissioning enlisted members or civilians in nonprofessional categories based on experience alone. This provision would assist in manning critical specialities by attracting more applicants for these types of positions. This subsection would be extremely beneficial in assuring these critical specialities were filled.

RECOMMENDATION

- Congress should include these provisions as part of ROPMA to recognize the valid needs of the Reserve components

Statement of Lt. Gen. La Vern E. Weber (Ret.), Executive Director of the National Guard Association of the United States

Mr. Chairman, and members of the subcommittee, I sincerely appreciate this opportunity to present the views of the National Guard Association of the United States on the readiness requirements of the Army and Air National Guard.

THE ROLE OF THE NATIONAL GUARD

This year, the National Guard commemorates 350 years of service to the community and the nation. From the first organized militia units in the Massachusetts Bay Colony in 1636 until today, the National Guard has played an important role in the preservation of the freedom of this republic. A call to duty of the National Guard has historically signified the nation's willingness to undertake the sacrifices necessary to protect that freedom.

The Guard's historical role in defense of our nation was formally recognized with the initiation of the Total Force Policy in 1970. Today, the Guard is counted upon as a full partner in the Total Force. Current national strategy has Army National Guard and Air National Guard units "on the line" alongside active counterparts in a matter of days after mobilization.

The Total Force Policy has resulted in an increased reliance on National Guard and Reserve forces. Army and Air National Guard units are tasked in war plans developed in response to defense strategy directed by our national command authorities. This nation absolutely requires a well-equipped and well-trained National Guard if it is to be fully capable of fighting and winning any future conflict.

In order for the National Guard to meet all of its wartime deployment objectives, it must be manned, equipped, trained and properly led. Transportation assets needed for overseas deployment of the Total Force must be available. If any of these requirements are neglected, the wartime capability and reliability of the Total Force will suffer. Increased personnel manning, an influx of new equipment, and intensified training demands are all the consequence of increased readiness requirements placed on National Guard units.

As we stated last year, the National Guard Association does not recommend any reduction of the Active Army and Air Force. We believe both forces are currently smaller than needed to meet the threat to our nation, and we fully

support the resources requested in the President's FY87 Budget to man, equip and operate the Army and Air Force.

The NGAUS also continues to recommend that the force structure for the Army and Air National Guard should not be expanded unless the current National Guard force is programmed to be fully resourced with required manpower and modern, deployable equipment.

The readiness of all of our military forces is seriously threatened by the current overwhelming Soviet advantage in chemical warfare. Although the ability of National Guard units to survive and operate in a chemical environment has improved in recent years, those units would only function at 60 percent or less of full wartime capacity in such an environment. Only a national effort to obtain a modernized, safe chemical retaliatory capacity is likely to deter use of chemical weapons and promote an effective chemical weapon ban. We urge full funding and start-up of production of binary chemical munitions.

The specific proposals of the National Guard Association for FY87, to ensure the readiness of the National Guard to meet its deployment objectives, are outlined below.

SELECTED RESERVE MANPOWER

Although equipment, training, and facilities are essential, the most important factor in Army and Air Guard readiness is the ability to recruit and retain the required number of qualified personnel. This will become a more difficult task as the manpower pool of the nation continues to diminish, and could be further impacted by any reduction in popularity of military service among our service-aged population.

At the end of FY85, the National Guard had attained its highest strength history, with the ARNG achieving a strength of approximately 440,000 and the ANG reaching an end strength of more than 109,000. With programmed growth of over 22,000 in the Army Guard and almost 6,000 in the Air Guard by the end of FY87, and continued growth programmed through FY90, the effectiveness of recruiting and retention efforts remains critical.

The New G.I. Bill Educational Assistance Program for the Selected Reserve, which began on 1 July 1985, has already proven to be a valuable incentive for

across-the-board recruitment and retention. The National Guard Association strongly supports continuation of the New G.I. Bill and urges that the program be expanded to cover educational options, including high tech training, and be made permanent as quickly as the test results support such action. Any attempt to eliminate this extremely effective new incentive would have a drastic negative Guard and Reserve recruiting impact. After five months of New G.I. Bill experience, from 1 July to 25 November 1985, a review of the use of this incentive showed that 50.4 percent of all eligible Army National Guard and 49.7 percent of all eligible Air National Guard personnel were opting to take advantage of the New G.I. Bill. Total Army and Air Guard participation accounted for 75 percent of all DoD Selected Reserve participation within that time frame.

The current Selected Reserve Incentive Program has also been very effective in providing targeted incentives to recruit and retain personnel with critical skills or who are found in specified high priority units. As with the G.I. Bill, authorization for enlistment and reenlistment bonuses should be made permanent entitlement programs in law, rather than be dependent on periodic approval of authority and annual appropriation of funds.

Due to the critical shortage of health care professionals and its potential impact on the initial warfighting capability of the Total Force, the National Guard Association also fully supports immediate approval of the Selected Reserve Health Professionals Incentive Act, (H.R. 1498), to improve recruiting and retention in this area. The programmed growth of medical units in the National Guard and Reserves will be difficult to attain without the added incentive of accession bonuses and continuation pay.

FULL-TIME SUPPORT

In addition to the Selected Reserve manpower requirements of the Army and Air National Guard, there is a growing requirement for full-time support personnel, who are essential to the production of combat readiness. These personnel perform those day-to-day functions which must be accomplished if a unit is to be effective during peacetime; i.e., personnel administration, supply accounting, and maintenance of equipment and support facilities which are essential to the training of Guard personnel. If a unit is to make

maximum utilization of its limited training time, full-time personnel must be available to plan for, support, and participate in unit training sessions.

The Army and Air National Guard have a mix of technician and Active Guard/Reserve (AGR) personnel. While the proper mix and comparative cost effectiveness of the two categories continues to be reviewed, there is a recognized requirement for additional full-time personnel. The following table reflects the shortage of full-time unit support personnel that will exist in the Army and Air National Guard at the end of FY87:

	ARNG	ANG
DoD Validated Requirement	65,863	32,959
Authorized Military Technicians	27,129	23,282
Authorized AGR	28,721	7,763
Shortage	10,013	1,914

Last year, the Congress reduced the Army National Guard full-time personnel authorization from the FY86 President's Budget request. In view of the essential requirement for full-time support, and the current shortage in meeting that requirement, the National Guard Association urges the Congress to authorize and fully fund the full-time manpower requests contained in the Army and Air National Guard budgets for FY87.

RETIREMENT

The justifiable concern of the large budget deficit has caused much attention to be focused on the cost of the military retirement system. However, we believe the current system is one of the most effective incentives for retaining highly-qualified military members who have been trained at great expense and whose most productive years would be forfeited if they left at mid-career. The National Guard Association supports the retention of the current military retirement system and believes that it is absolutely essential to preserve the current linkage between the Active and Reserve military retirement systems.

The existing Guard/Reserve retirement plan is a minimum requirement for maintenance of a stable Guard force. We believe the present system should be improved by allowing members of the Selected Reserve to be credited with all earned retirement points. Enactment of legislation to eliminate the

existing 60-point ceiling would encourage members to participate in unit training assemblies over and above the number which they are now required to attend.

Many military technicians are separated from the National Guard at an age earlier than the age 60 military retirement eligibility date by actions of retention boards and the attritive provisions of the Reserve Officers Personnel Act. Additionally, many technicians must possess military skills which demand physical strength, coordination and stamina to the extent that members older than age 55 may have difficulty in meeting the continued phsyical demands of their military skills.

While Guard military technicians are subject to the provisions of the Civil Service retirement system, their technician career is dependent on continued membership in the Selected Reserve. Termination of such membership results in forced termination of their technician employment.

The current actions in revising the Civil Service retirement system could result in a significant reduction in annuity from the date of retirement until receipt of Social Security at age 62. The National Guard Association strongly urges enactment of legislation to retain the current age and years of service requirements for both optional and discontinued service retirement for National Guard military technicians, and the payment of a supplemental annuity from the date of retirement until receipt of Social Security.

FAMILY AND EMPLOYER SUPPORT

In many instances, the greatest impact on the ability to recruit and retain an individual in the Selected Reserve is the support, or lack of support, given by the immediate family and the full-time employer of the prospective member or members.

Many legislative improvements have been made in recent years designed to encourage family support. The expansion of medical care to cover members for illness or disease incurred during inactive duty training and the provision of medical and space-available dental care for surviving dependents of members who die in any type of duty status are two examples.

However, several inequities continue as irritants which could be corrected

at little cost. The National Guard Association supports legislation which would provide limited commissary and exchange privileges to active members of the Selected Reserve and their families, and to extend those privileges to members who are otherwise eligible for retirement pay, but have not yet reached age 60. We believe each of these benefits will be perceived as an incentive for continued family support of Guard members.

With the increased reliance on the Guard and Reserve as full partners in the Total Force, it is essential that every effort be made to ensure employer support of membership in the National Guard and Reserve. Such efforts should include legislation that would prohibit discrimination in hiring and would provide an incentive in the form of tax relief for private sector employers of Guard and Reserve members. The National Guard Association supports H.R. 1495, which prohibits discrimination against the hiring of persons who belong to the Guard and Reserve. This bill is essential if Selected Reserve membership is to be maintained or increased over current levels.

SUMMARY

Mr. Chairman, I have appreciated this opportunity to present the views of the National Guard Association of the United States on actions needed to improve the combat readiness of the National Guard.

We have recommended several changes to improve the New G.I. Bill. Of course, we strongly urge continuation of the New G.I. Bill as a critical recruiting and retention incentive program. We also urge support of the provisions of H.R. 1498, to improve manning in the health profession skills.

We have supported the Army and Air National Guard budget requests for additional full-time support personnel.

We support the current military retirement system, and urge lifting of the 60-point ceiling on credit for participation in inactive duty training. We also urge that the current age and years of service provisions for technician retirement be retained in any new Civil Service retirement legislation, and that a supplemental annuity be provided until age 62.

We support the legislative initiatives to improve family and employer support of National Guard members.

Mr. Chairman, we recognize the serious problems associated with a large budget deficit. While resources devoted to national defense must be held to a minimum, we feel providing manpower, equipment and supporting resources necessary to maximize the wartime capability of our Guard and Reserve forces will provide the most cost-effective capability possible. We cannot afford to jeopardize national defense in the interest of economy, but we certainly must maximize our wartime capability with the resources that can be made available.

We are grateful for the support which you and the members of this subcommittee have provided in the past, and we look forward to your continued support of National Guard requirements in the future.

The CHAIRMAN. Let me ask the members of the committee to stay around.

This meeting is adjourned.

[Whereupon, at 11:47 a.m., the subcommittee proceeded to executive session.]

59-583 (224)